The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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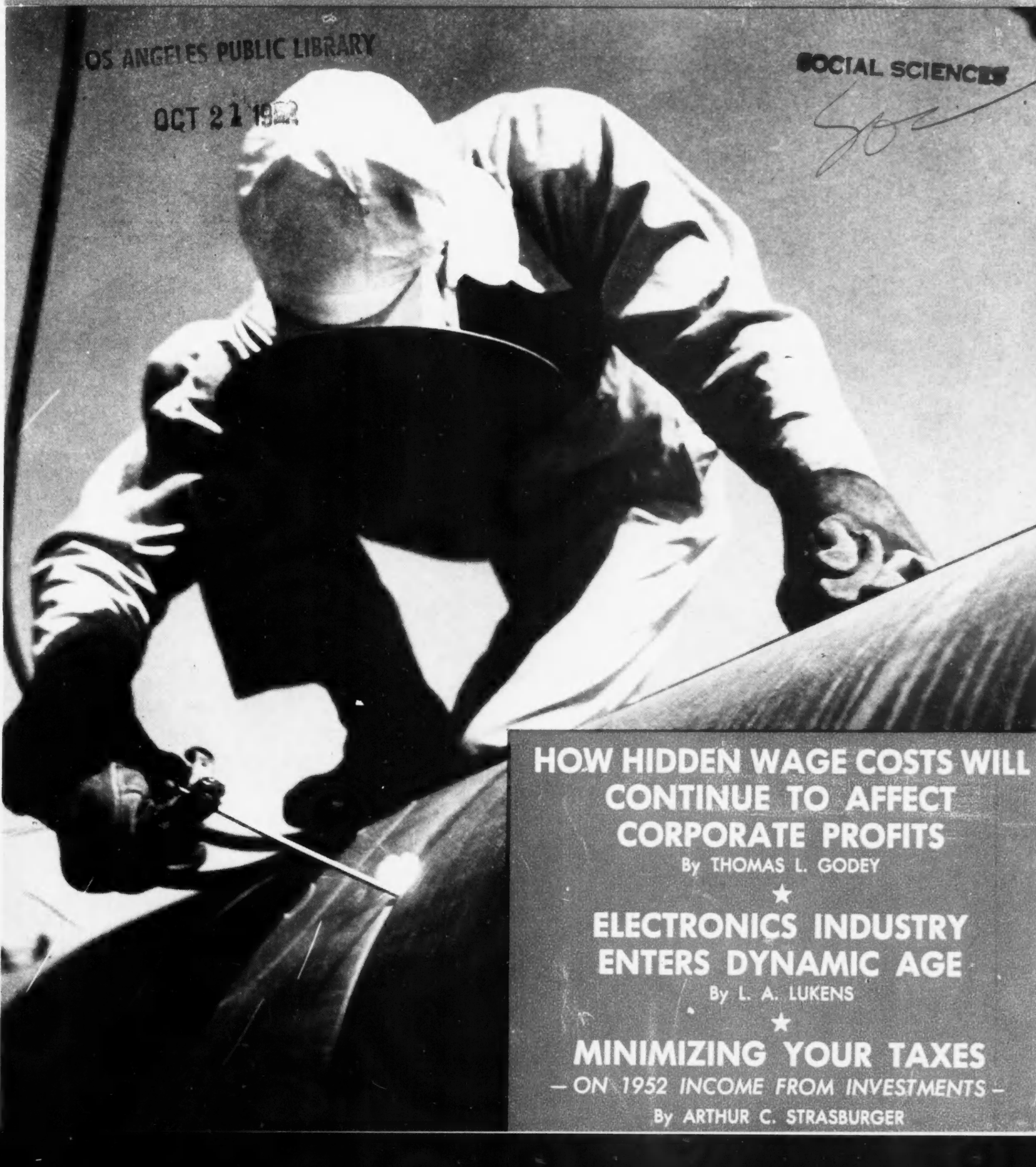

HOW HIDDEN WAGE COSTS WILL CONTINUE TO AFFECT CORPORATE PROFITS
By THOMAS L. GODEY

★

ELECTRONICS INDUSTRY ENTERS DYNAMIC AGE
By L. A. LUKENS

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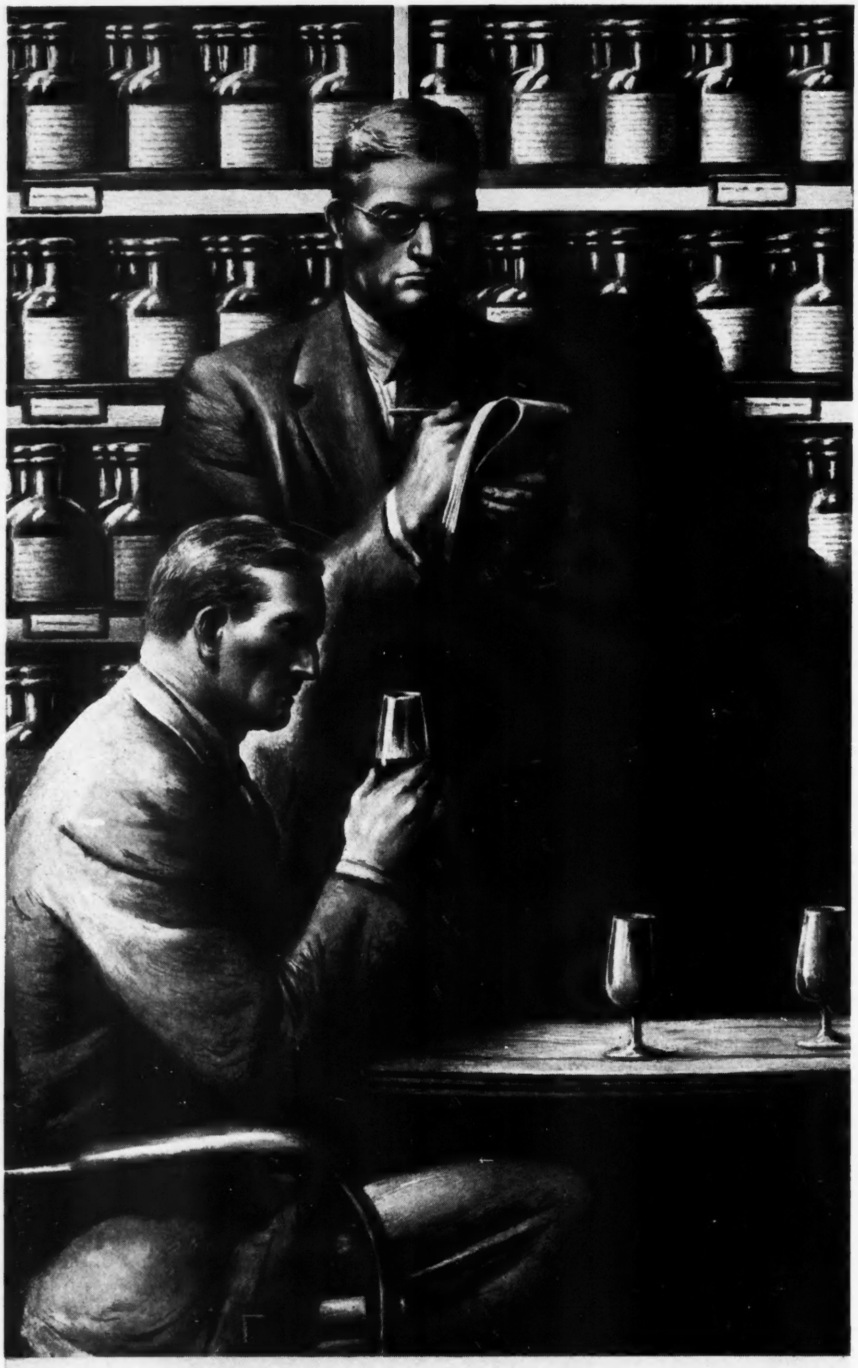
MINIMIZING YOUR TAXES
— ON 1952 INCOME FROM INVESTMENTS —
By ARTHUR C. STRASBURGER



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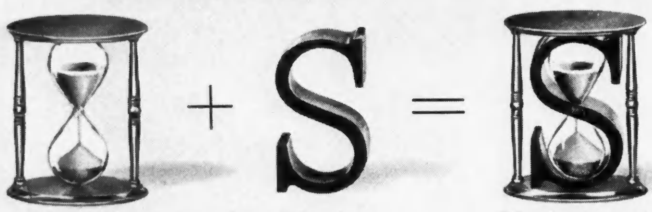

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SCHENLEY

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

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Vol. 91, No. 2 — October 18, 1952

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ELECTRIC BOND AND SHARE COMPANY

TWO RECTOR ST., NEW YORK 6, N. Y.

Common Stock Dividend

The Board of Directors has declared a dividend, subject to the approval of the Securities and Exchange Commission, on the Common Stock, payable December 29, 1952, to stockholders of record at the close of business November 24, 1952. The dividend will be payable in shares of The Washington Water Power Company Common Stock at the rate of 2 shares for each 100 shares of Electric Bond and Share Company Common Stock. No scrip representing fractional shares of The Washington Water Power Company Common Stock will be issued to stockholders. The Company proposes to arrange for the Company's dividend agent to handle fractional share equivalents for the stockholders.

B. M. BETSCH,
Secretary and Treasurer

October 8, 1952.

COLUMBIA PICTURES CORPORATION

The Board of Directors at a meeting held September 30, 1952, declared a quarterly dividend of $1.06¼ per share on the $4.25 Cumulative Preferred Stock of the company, payable November 15, 1952, to stockholders of record October 31, 1952.

A. SCHNEIDER,
Vice-Pres. and Treas.

THE COLUMBIA GAS SYSTEM, INC.

The Board of Directors has declared this day the following final dividend for 1952:

Common Stock
No. 73, 30¢ per share

payable on November 15, 1952, to holders of record at close of business October 20, 1952.

DALE PARKER
October 2, 1952 — *Secretary*

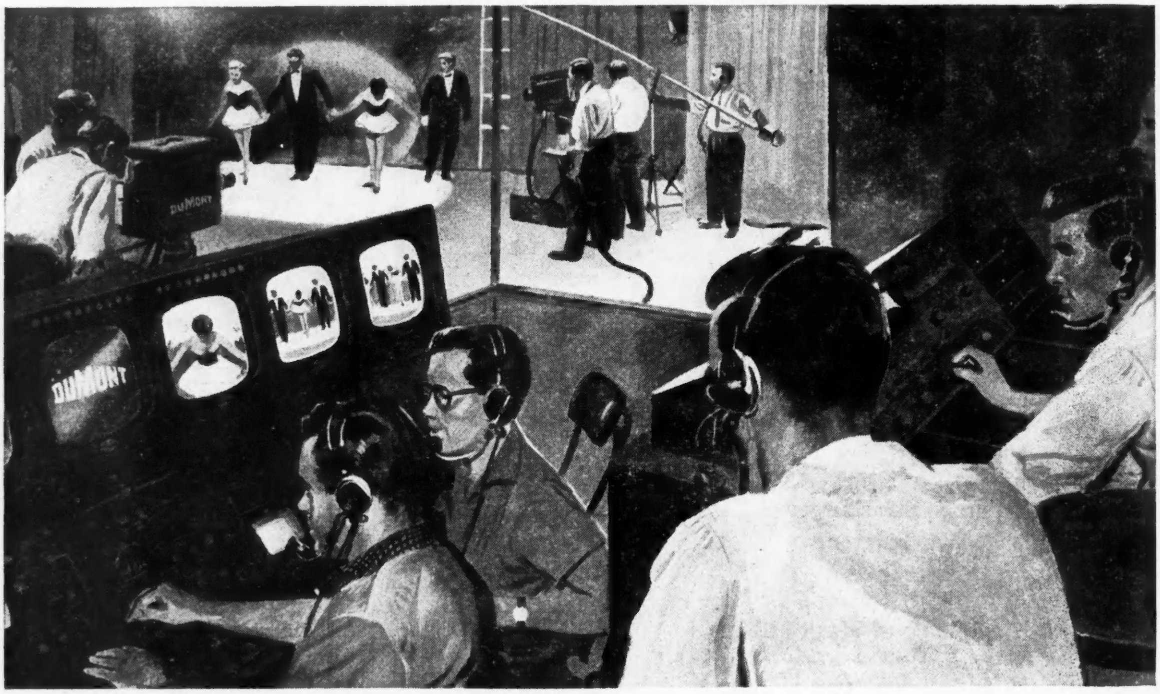
JOHN MORRELL & CO.

DIVIDEND NO. 93

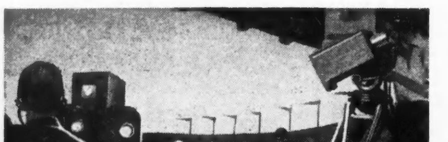
A dividend of Twelve and One-Half Cents ($0.125) per share on the capital stock of John Morrell & Co. will be paid Oct. 30, 1952, to stockholders of record Oct. 10, 1952, as shown on the books of the Company.

Ottumwa, Iowa — George A. Morrell, V. P. & Treas.

DuMont *Research* gives you more!



DuMont equipment is used in 67 of the 110 television stations in the United States



FIRST IN TELECASTING
Du Mont operates the first wholly owned television network. Its key station, WABD New York, was the first fullv equipped, high-powered station on the air; was the first with daytime programming; and has led the way with many other major television "firsts."

One after another, Du Mont developments have improved every phase of television . . . have brought greater enjoyment to more and more people. Commercial television tubes, cameras, controls and transmitters . . . new scanners for clear motion picture transmission . . . low-cost UHF telecasting . . . all were pioneered by Du Mont.

In the past, the story of better television has been the story of Du Mont. In the eye-opening future, young men with ambitions in the field of electronics will come to the Allen B. Du Mont Laboratories to bring their ideas to life . . . to continue the Du Mont story of new developments that give Americans more in every way.

DUMONT *first with the finest in Electronics*

Allen B. Du Mont Laboratories, Inc., 750 Bloomfield Ave., Clifton, New Jersey

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*

The Trend of Events

TAX REVISION AND THE ELECTION . . . The American people cannot be blamed for hoping—no matter who wins the election—that their taxes are going to come down materially when the new Administration comes into power. We don't want to dash cold water on these hopes but it should be obvious that before taxes can be cut, the budget must be balanced. As a matter of fact, the deficit will amount to at least $10 billion by next July, making budget-balancing impossible, so that the prospect for a general cut in taxes seems dubious, indeed.

There is general agreement, however, that the excess profits tax which automatically ends at the end of the fiscal year will not be renewed. At least, no one in the Treasury opposes the cancellation of this unwieldy tax. Assuming equitable treatment, with the ending of the excess profits tax the ordinary citizen would also get some relief in the abolition of the 11% increase enacted last year. However, the corporations probably will get relief before the individual taxpayer since the 11% increase will remain on the books until December 31, 1953, unless Congress sees fit to amend this section of the law beforehand.

So far as the tax on excess profits is concerned, experience with this cumbersome provision has shown that it suffers from two major defects. One is that no system has been discovered for figuring out the base period on which the tax, according to law, is to be computed that will be equally satisfactory to the corporation and to the Treasury. This leads to endless complications. The other is that the law is drafted unfairly in that it permits too many exemptions. Some industries have special relief – mining, natural gas, railroads, airlines, and utilities—for example—whereas the rest carry the entire burden. Another over-riding difficulty is that no one in the Treasury pretends to known whether the tax is really a great success as a revenue-producer as compared with other tax sources of revenue. Altogether, it appears that the time is rapidly approaching when serious consideration should be given the scrapping of this poorly conceived statute.

It is also about time that Congress gave thought to shortening the period of holding under the capital gains tax from the present six months to three months. The operation of the six-month provision has had an unfavorable effect in limiting speculation in securities. The speculatively minded have been hampered since, in order to avoid paying the full short-term rate, they have been forced to hold securities for considerably longer periods than they would have otherwise desired. This has tended to restrict security operations and has consequently interfered with the natural operation of supply and demand.

One of the worst effects of this situation in reducing speculative interest has been to narrow the potential base of common stock financing on which the replenishment of working capital and the upbuilding of plant and equipment depends.

The most harmful economic

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: : 1907 – *"Over Forty-four Years of Service"* – 1952

effects of the capital gains tax, however, will be visible later when industry, under possibly unfavorable conditions, is forced to turn, to a greater extent than at present, to common stock financing. Congress should therefore foresee the economic necessity of changing the law in plenty of time. It is obvious that the inequity inherent in the present provisions of the capital gains tax must be rectified by shortening the period of holding.

DEFENSE SPENDING AND THE NEW ADMINISTRATION . . . As we go into the final weeks of the election campaign, among other important questions, investors are asking what will be the effect of a new Administration on defense spending? Their anxiety on this point is understandable since it is generally recognized that defense spending now occupies a vital position in our economy.

Analyzing the situation realistically, it would seem that no radical alteration is to be anticipated for another year, regardless of the election's outcome. For one thing, the funds have already been appropriated for defense, contracts have been let and much work is in actual progress. Defense Mobilizer Fowler states that of $129 billion authorized by Congress for military procurement and construction, $41 billion has already been expended, that $58 billion additional is now under way, and that only $30 billion additional in contracts to be let now remain. These will probably be set in motion by the end of the current fiscal year.

From these figures, it would seem that a major reduction in spending for military purposes in the calendar year 1953 is impossible, unless we are to scrap a good part of our painfully-wrought defense program, and along with it, a sizeable portion of our armed forces. In view of the tension which exists in international relations generated by the uncompromising position of the Soviets, it is hardly likely that any serious reduction in our military strength would be permitted by the American people and the government they are going to elect November 4.

Prospects for continuation of the military program on the present scale for another year, however, should not lead to the conclusion that the outlook is equally good for investment in plant and equipment. The bulk of plant expansion is now nearing completion. A number of industries, indeed, have reached a point perilously near to over-capacity. In order to maintain capacity operations, these industries will have to depend to a greater extent than at any time in the past two years, on a civilian demand materially above present levels. It is not clear at this stage that such a high level of demand can be reached at any time in the next year. Hence, any undue increase in plant expansion from now on could be a source of trouble later.

PROFIT MARGINS AND COSTS . . . In the past few weeks, the rising level of industrial activity, following the remarkable recovery of steel production since the ending of the strike, has brought into being a pattern of increasing prices for certain raw materials and, necessarily, higher costs. Obviously, the implications of these developments is inflationary. Other forces, however are tending to reduce the impact of this potential. Among them are the greatly increased productive capacity since the beginning of the Korean war, better control over credit by the Federal Reserve Board, and a generally cautious attitude among consumers of all kinds. These facts are stressed in the October bulletin of the Federal Reserve Bank of New York.

For the time being, it would seem that the upward pressure on prices, reflected in the partial recovery of many hitherto depressed items will continue on into the winter months. This trend, now quite visible, has been stimulated by the general improvement in the inventory position. As a result, a better balance has been obtained between demand and supply. With employment at record levels, there is reason to believe that near-term months will see continuation of this improvement, despite that consumers are still showing no disposition to over-stock.

While business conditions are presently very active, it is doubtful that net profits are commensurate in most cases. With costs steadily rising, profit margins, especially after taxes, are still relatively unsatisfactory compared with the huge national sales volume. This situation in itself, however, possesses an inflationary potential inasmuch as business concerns, in order to protect themselves against the current squeeze on profits, are compelled to seek higher prices. It is uncertain, however, that this can be a profitable undertaking in the long run inasmuch as the consuming public has already shown that it will not buy if prices are not reasonable.

If, then, industry and business find it increasingly difficult to pass on higher costs, it would seem that the outlook for profits generally must be affected. With costs quite rigid and likely to remain so indefinitely, the only remaining important means of reducing costs still available to business is to increase efficiency of operations to the greatest extent possible, and especially, to eliminate waste and duplication. It must be said that in the past few years when selling generally offered no problem, business tended to ignore these fundamental considerations. Now that it must again deal with the essentials of management, present difficulties may prove a salutary experience in the long run to most business men.

THE NEW SUBMERGED CLASS . . . Squeezed in between two powerful groups—industry and the unions—millions of Americans find themselves without effective spokesmen in their losing battle to maintain a decent standard of living. There are about twenty million such people in this country and they are found mainly among retired folk living on modest incomes from pensions or savings; office workers in federal, state and municipal bureaus; school teachers and those who teach in the colleges; policemen and firemen, hospital attendants and the like.

Wages of these unfortunate groups have generally lagged far behind the rise in the cost of living, and those living on small fixed incomes from investments, mostly elderly folk, have long since been reduced to the barest kind of existence. Since they form a considerable portion of the population, it is of the greatest concern that a serious attempt be made to better their circumstances. We suggest, in behalf of older people living on small incomes, that they receive special tax treatment, especially that their medical bills—a steady accompaniment of old age—be fully deductible (*Please turn to page* 97)

As I See It!

By JOHN CORDELLI

JAPANESE ELECTIONS AND MOSCOW'S NEW LINE

The news from Asia need not always be pessimistic about the prospects of democracy on that turbulent Continent. It need not always deal with blind anti-western policies of Asia's nationalists or the demagogic appeal of communism among the poverty stricken masses of the East. For a change, there is encouraging and gratifying news: the results of general elections in Japan – the country which has gone the farthest among non-white, non-Christian peoples in adopting the Western concepts of economic dynamism, the scientific approach, and of the freeing of the individual.

The Japanese elections held on October 1 were encouraging beports on the spread of cause—contrary to recommunism and ultranationalism due to economic pressure and the rapidly rising population – the communists were administered, to quote a dispatch from Tokyo, "the worst drubbing in any national election anywhere since the end of World War II." Their popular vote of about 3 million in 1949 shrank to considerably less than one million, or less than 2 per cent of the electorate. While the communists held 22 seats in the old Diet, they will have none in the new one. Plainly the May First riots in which the communists used Korean stooges and which were intended to stir latent anti-American feeling, backfired on them. The ultra-nationalist splinter parties, led mostly by the politicos lately on the purge lists, made only a slightly better showing than the communists. The importance of their resurgence, too, was over-advertised.

Second, the results of the Japanese elections have been gratifying because—against contrary to general anticipation—they have overwhelmingly endorsed the close political and economic cooperation between Japan and the United States. The seeds of this cooperation and mutual understanding were planted during the occupation, and hence the elections are in no small way also an endorsement of the far-sighted policies of General MacArthur. The two conservative parties—which, oddly enough, call themselves the Liberal and the Progressive Party—received about six times as many votes as their nearest non-conservative opponent, the right-wing socialists. There remains only one thing to be settled: who will be the next premier: will it again be Mr. Shigeru Yoshida, or Mr. Hatoyama, who until recently had been under an Allied ban? However, whoever becomes the next premier, one thing is certain: Japan will continue to stand with the free nations during the years to come.

"MORE THAN A PASSING INTEREST IN THIS ELECTION, TOO."

Loring in The Evening Bulletin

The utter rout of the Japanese Communist Party means that the Moscow-Peiping axis will be badly handicapped in its untiring efforts to exploit political, economic, and social pressures generated by the mushrooming Japanese population – unless fellow-travellers and the budding ultra-nationalists take up the cudgel.

Yet, in the new scheme of things, the new partly line that was recently outlined by Stalin and that will be debated at the Communist Congress in Moscow, Japan is bound to play an important part. It seems that this new strategy will call for an undeclared armistice in the cold war in the West, with the objective of inducing Europeans to relax their armament effort. On its part, the Soviet Empire apparently intends to consolidate its hold on the East European satellites. At the same time, the economic strength of Russia and China is to be built up. And then the Kremlin Siren will begin her song, offering Japan unlimited economic opportunities in trading with its old markets, China and Manchuria, and comparing these opportunities with those in "the capitalist world," which, in Stalin's own words, are now shrinking. Did not Liu Shao-ch'i, vice-chairman of the People's Government of Red China, threaten a few months ago " and now we will retake from imperialism the key to foreign trade?"

Japan must export in order to maintain a decent standard of living for her people. She has to clothe and feed and find jobs for the nearly 1,000,000 new people who are reaching (*Please turn to page* 98)

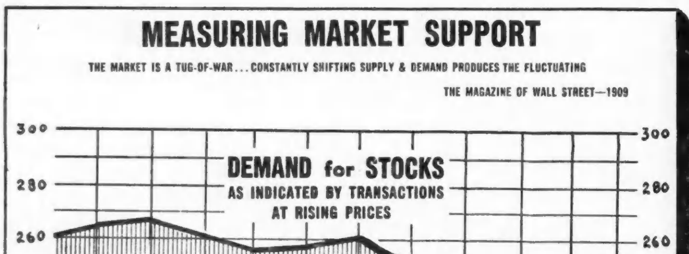
Market Waits at Crossroads

The averages eased enough within the last fortnight to test the September lows, but held above them. That induced a brisk one-day rally, with no follow-through. It is still a dull, narrow, selective trading-range affair. Election uncertainty is one restraint, longer-range economic doubts are a more important one. There is no change in our policy.

By A. T. MILLER

The recent over-all performance of the stock market has been mildly on the encouraging side, even though more negatively than positively so. Looking over the whole sell-off from the highs of early August, it has been at worst a moderate, sluggish, low-volume affair. The drift of the industrial and rail averages was downward during most of this last fortnight from the minor-rally highs of late September, but it halted with both averages appreciably above the previous lows for this general phase, which were registered September 15. That downside test having been met successfully, there was a fair improvement in average stock prices at mid-week, without a follow-through. It cannot be said that it is decisive enough to suggest that the mid-September lows will remain inviolate.

The first evidence indicative of more than a minor-trend change would consist of an extension of the rally above the rally highs of late September by a clear-cut margin, thus breaking the previous sequence of descending highs maintained since the first week of August. The outcome of the recent downside test, cited at the start of this discussion, has, of course, already interrupted the corresponding sequence of declining lows.



Market Thin And Narrow

It must be emphasized again that this is a thin and narrow market. Thus, the whole range of the Dow industrial average since the August major high was recorded has been about 12 points, or less than 4.3%, to date. It follows that, in such a range, it takes no great change for the better to make the market "look good", and also relatively little change for the worse to make it "look bad". Therefore, the significance of the encouraging technical straws heretofore cited could easily be exaggerated. They are straws—not tides.

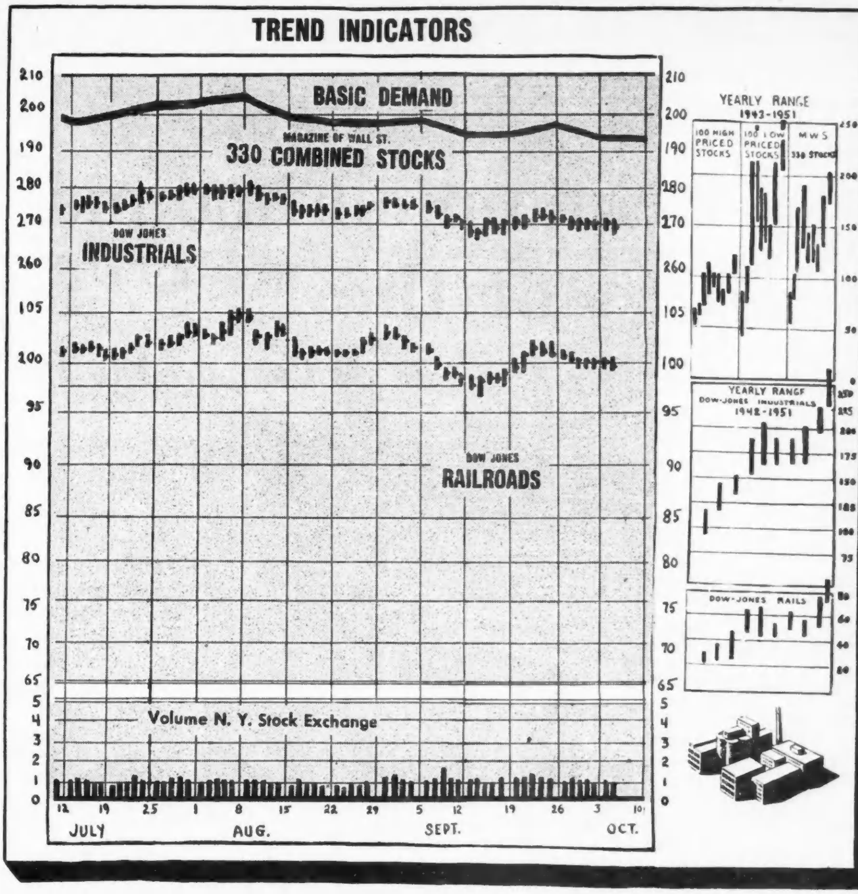
Election uncertainty is a plausible argument for a "do-little" market until it is clarified. However, this factor has had a lot of emphasis in recent weeks, which tends to "water down" its psychological potency. Hence, it does not necessarily preclude more recovery in the market. Because of the narrowness of the range, however, any movement which carries the averages neither above their August highs nor below the mid-September lows still leave it pretty much a "do-little" market.

Supply Level a Barrier

On a broader technical appraisal, one fact asserts itself emphatically. That is that on every upward swing since the

summer of last year, the industrial average has been halted in the price area of 275-280. That must be rated as an exceedingly formidable supply level to penetrate to any significant degree, if at all, under any presently foreseeable conditions.

It looks all the more formidable when you note that most of the previously popular stock groups, whose leadership was so influential on the upswings of the last year or so, have lost much of their allure. To cite but a few, chemicals were uptrend stocks until September of last year; but have been trading-range stocks ever since. The once dynamic drug stocks have been in their own bear market since August, 1951. Much more important, the great oil group, which has a heavy over-all market influence, has fallen from favor. It will no doubt meet support and have a substantial recovery – some improvement is being seen at this writing – but it seems questionable, if not improbable, that its previous dynamic market leadership will be resumed in the near future. Despite above-average strength in some lesser groups, most notably television issues, it is difficult to see the emergence of new upside leadership having a total market weight equal to that of the various previous "fair-haired" stock groups which are no longer so.



As compared with the major supply level cited, the September 15 support levels around 268 for the industrial average and 97 for the rail average are merely once-tested intermediate ones. What this boils down to is that it would take a dynamic improvement in demand to extend the 1949-1952 uptrend significantly above the August highs; but, on the other hand, no great increase in pressure, whether soon or later, to make the mid-September support levels technically meaningless.

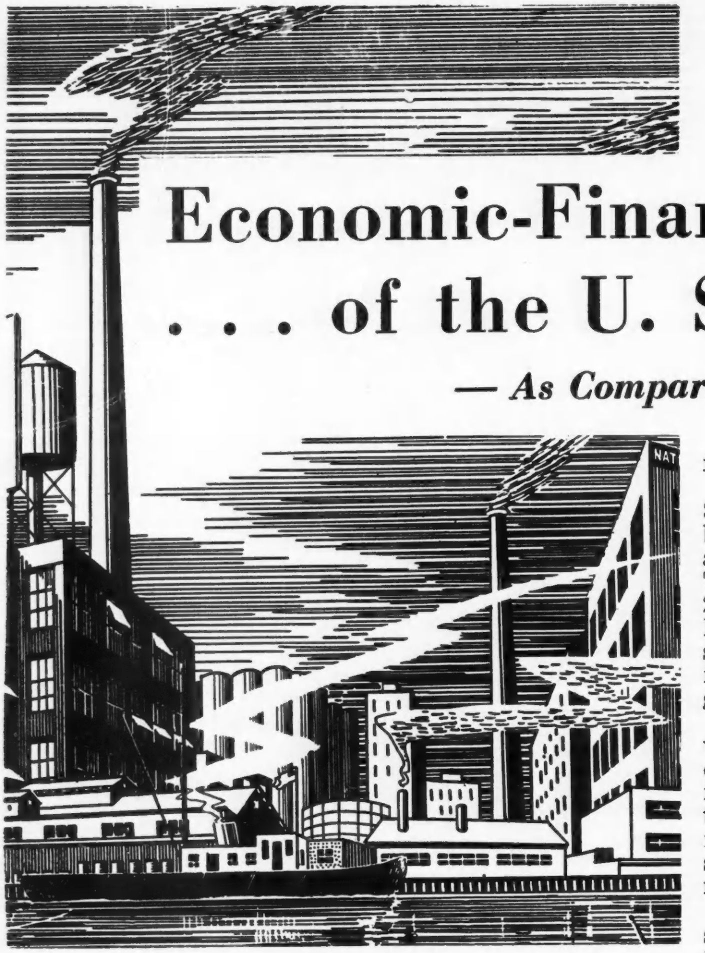
Investors have mixed emotions on the election. On principle, many prefer Eisenhower, but think that the consequences of more conservative policies will be somewhat deflationary. Others, whether they favor Stevenson or not, think that a deflationary post-defense-peak adjustment is ahead anyway. Despite the current edge given Eisenhower by the sample polls, there is no strong financial-sector consensus on the outcome, as is indicated by the paucity and close odds of the betting either way.

The Economic Projections

Sentiment is optimistic on business for "the medium term", which is to say through most, perhaps all, of the 1953 first quarter. The further ahead quarterly projections are ventured, the thinner become the ranks of the optimists. Only a small minority look for another generally active full-year. This explains why business inventory policy remains conservative, and why improvement in over-all retail trade is so sluggish. The pressure on primary commodity markets is downward.

If there is a favorable side to all of this, it is that so many people are looking watchfully for a slump; and timing it more of less precisely with the course of defense outlays. Serious depressions usually start when few expect them or see any basis for them. There could be a surprise in one way or another. On the basis of psychological "odds", it might be a later and more moderate slump than most are allowing for; or an earlier post-election slump; or an extended period of business fluctuation not greatly different—in the sense of major change—from that seen in the post-war era to date, within which, after all, the Reserve Board production index has ranged between 161-223, following the 1946 postwar reconversion of industry. But it should be noted that during this period, without anything that the "man in the street" would call depression, while we have had one bull market (1949-1952) we have also had two minor bear markets—1946-1947 and 1948-1949.

Looking a few weeks ahead, tax-selling (already begun in a trickle) will be a factor, and probably more a depressant than in some years. This is because (1) so many stocks are far down from earlier highs; and (2) many sellers will not switch to other common stocks, preferring (*Please turn to page* 97)



Economic-Financial Position . . . of the U. S. Today . . .

— *As Compared to 1939*

By OTTO C. LORENZ

Three questions echo in the minds of Americans today: "Am I really better off? What will happen to me and my family if inflation continues? What can I—or should I—do about it?"

Whether man or woman, married or single, wage earner, laborer or capitalist, these questions lie just beneath all our hopes, our impulses to action, the fulfillment of our daily inescapable needs. As far as humanly possible factual answers must be sought and sane judgment brought to bear on issues so vital to our own individual fates and the destiny of our nation.

Are we, then, really better off? No doubt some of us are,—even in terms of 1939 dollars. But those dependent upon fixed incomes certainly are not,—far from it. Between these two extremes, most of us probably don't know whether to congratulate our selves or to hold our heads. While we still have a chance to do something about it, let's look into our position, see what we have, what we owe and what our income is today as compared with 1939:

According to Mr. Herbert J. Miller, executive director of Tax Foundation, Inc., the average net worth of the American family in 1951 was $9,033, down 12½% from 1939's figure of $10,323 in terms of 1935-1939 dollars. Per capita, the drop was 7.4%. But the drop of 24.7% in the net worth of the average worker is sufficiently alarming to demand careful re-consideration of asset and debt items.

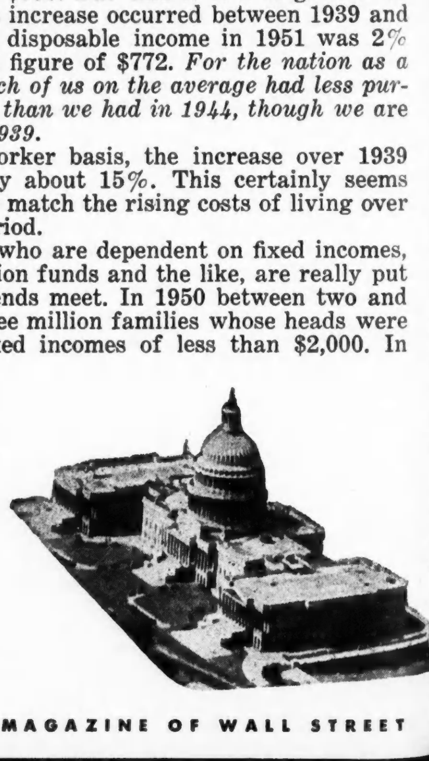
Americans in the middle income group—$2,660 to $5,060—reported themselves as being slightly better off in 1951 than in 1946 after taking into account taxes and prices. This group makes up about one-half of the 2,820 spending units which comprise the Federal Reserve Board's sample used in its study of consumer finances. Spending units in the highest and lowest brackets lost ground slightly.

Real income for the nation as a whole was about the same in 1946 as in 1951 according to the Federal Reserve study. Families whose heads were self employed or in the managerial group showed the greatest rise in income from 1950 to 1951 with substantial gains in only one other group, namely, skilled and semi-skilled workers.

In terms of 1939 dollars, disposable personal income was $760 per individual in 1951, an increase of 42% over the 1939 figure of $536. But—and it is a large *but*—all of this increase occurred between 1939 and 1944. Personal disposable income in 1951 was 2% below the 1944 figure of $772. *For the nation as a whole, then, each of us on the average had less purchasing power than we had in 1944, though we are still ahead of 1939.*

On a per worker basis, the increase over 1939 is far less—only about 15%. This certainly seems little enough to match the rising costs of living over the 12-year period.

Those of us who are dependent on fixed incomes, annuities, pension funds and the like, are really put to it to make ends meet. In 1950 between two and one half to three million families whose heads were retired had fixed incomes of less than $2,000. In terms of 1939 dollars this amounted to purchasing power of only $1,156 in 1950 —only about $1,000 today.



Married couples with two dependent children and an income of $4,000 in

1939 need a boost to $9,139 today if the buying power after taxes is to take care of 1952's high cost of living. To be "better off" they'll need $10,690. A $2,000-a-year man in 1939 needs $4,945 to be "better off" today. And, according to the authority from whom these figures are cited, a $10,000-a-year man needs $30,956.

According to the Department of Labor "nearly 45% of the wage earners in the United States failed to keep pace with the 10.1% rise in cost of living from January, 1950, to June, 1951. . . . 20,000,000 Americans lost over $3 billion of purchasing power in that year and a half . . . the actual purchasing power of spendable farm income was less in 1951 than in 1942." Nor are there many grounds for believing that these conditions have improved in 1952.

Better Incomes But Less Buying Power

Early in 1952, 46% of the spending units sampled by the Federal Reserve reported that they had more income than a year ago, but only 33% felt they were "better off." At the other end of the scale, only 17% stated they had less income than in 1951—nevertheless 35% felt they were worse off. In other words, many Americans are suffering in spite of better incomes while those whose incomes are less must be facing radical changes downward in their standards of living—and there are perhaps 17% at least in the latter condition judging by the Federal Reserve Board's sample.

In the light of the foregoing, even those workers with flexible wage scales geared to cost of living indices are not altogether in the clear—for they are handicapped, as all of us are, by the rapid rises in Federal individual income taxes. A married worker with 2 children might have paid a Federal income tax of $133 for 1951. If cost of living doubles thus doubling his wages, he pays *six* times as much tax at present rates.

In 1939 the personal Federal income tax exemption was $1,000 ($2,000 for man and wife) plus $400 for each dependent. $1,000 today is worth only $320 in 1939 prices. Let's overlook the glaring disparity between exemptions in 1939 and 1952. But let us realize that something must be done—that it may be necessary to spread the tax burden more equably over a wider base of individuals lest the whole structure become an intolerable social threat. Three out of ten (30%) of the spending units surveyed by the Federal Reserve Board paid no Federal income taxes at all. About half of the units paid less than $200.

Private debts in 1951 stood 54% above 1939 in terms of 1939 dollars. During this period, private assets show a gain of only 36%. Undoubtedly there are greater strains and stresses present today than in 1939, though that was a year which still reflected, debt-wise, the recession of 1937-38.

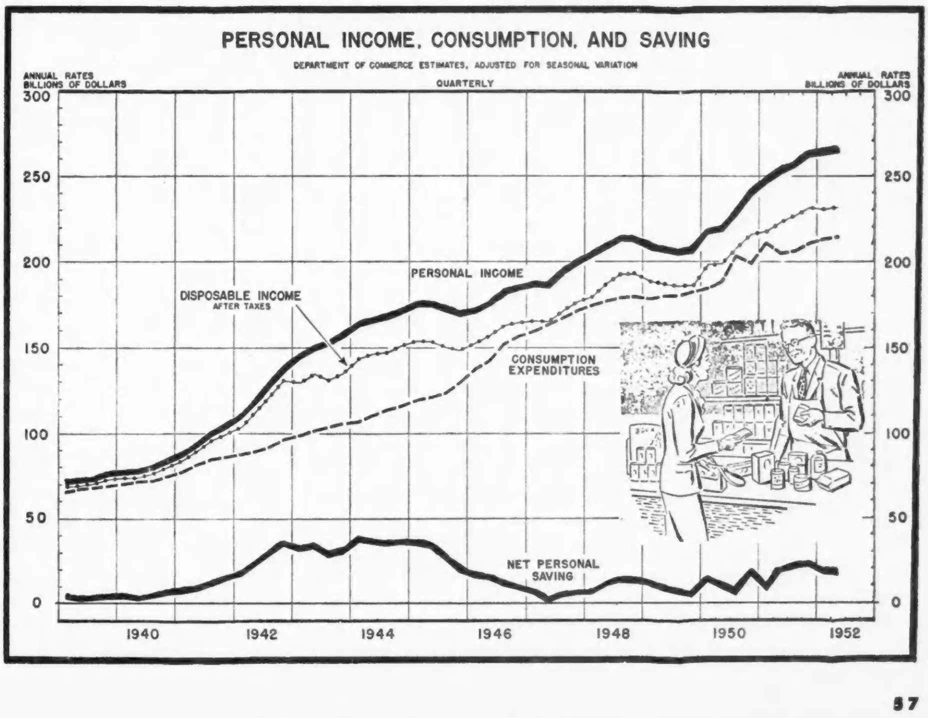
In some respects our private indebtedness in 1952 is not out of line with 1939. Total consumer credit outstanding in 1939 was 6.3% of disposable income. In June, 1952, it stood at 6.2%. The current debt is still well below the last pre-war figure (1940) of 7.2%.

Nor are monthly payments slowing down markedly in bank personal loan operations, instalment finance transactions, or department store collections. The American Bankers Association in its monthly nation-wide survey reports Personal Loan delinquencies for July, 1952, as follows: Accounts 30 days late—less than 1% of the total number of loans outstanding; total delinquencies stood at a shade over 2%. These ratios are practically unchanged from those of a year ago. Americans seem to be managing their finances quite well in the face of undoubted hardships. Another indication of good management and absence of overstrained personal finances lies in the fact that no marked change in the demand for cash loans on life insurance policies is reported by one of the nation's largest companies.

However, it must not be thought that Americans in large numbers are not experiencing "hard times." They are. Many are dipping into other cash reserves to maintain their current standards of living. A Department of Labor study reports that the average urban family went "into the red" $400 in 1950. Far from having improved in the last two years, there are signs indicating a continuation, if not a worsening, of this condition.

Decline in Individual Net Worth

Behind these figures on private net worth, individual income and private debt, tremendous forces are at work. Leading economists and informed busi-



ness men are revising their estimates in the light of the remarkable increases in our population.

There are radical changes since 1940 in the composition of our population as to numbers, age groups and marital status. In the twelve and a half years from September 1, 1939 to March 1, 1952, our population increased 25.1 million, the number of children under 5 was 55% higher than in April 1940 and is still rising. Number of children under 15 rose by 8 million or 24.1%. The number of married couples has greatly increased and the actual number of people aged 65 and over has been and will be larger than demographers predicted a decade ago. These facts are of the most profound importance, especially in the light of forecasts upon which so much of our long-term business thoughts were based.

Multiplication of Needs and Desires

Mangement must now revise all its estimates upward. Base capital investments must be matched against this enormous growth to determine production capacity needed to serve these increased numbers. Product development and marketing programs must be revised for the long run and employment problems must be solved on the basis of entirely new figures.

Obviously this growth will push American levels of consumption and living requirements upward. Needs and desires will multiply over the long run. If these needs and desires can be served, it means more work for all of us. More work, more employment, more income per capita are the natural results of the growth in the number of marriages and births, immigration and life spans. Far-sighted, well-managed industries serving the daily needs of the consumer may stand first in line as investment opportunities.

How Your Income Compares with 1939

(Married Couple — Two Children)

1939 Net Income Before Taxes	(A) 1952 Equivalent Net Income Before Taxes	(B) 1952 Net Income Required to be Better Off to the Extent of Increase in Disposable Personal Income Since 1939(a)
$ 1,000(b)	$ 1,900(b)	$ 2,190(b)
1,200(b)	2,280(b)	2,693
2,000(b)	4,200	4,945
3,000(b)	6,649	7,804
4,000	9,139	10,690
5,000	11,641	13,664
6,000	14,220	16,806
7,000	16,981	20,110
8,000	19,760	23,486
9,000	22,712	27,192
10,000	25,607	30,956
15,000	44,384	56,291
20,000	69,028	86,891
25,000	96,447	124,846
35,000	171,177	249,942
50,000	376,308	523,115
75,000	734,484	939,729
100,000	1,005,381	1,251,993

(A)—Net Income required in 1952 for a taxpayer to be as well off after taxes and the depreciation of the dollar as in 1939.

(B)—Net Income required in 1952 for a taxpayer to be better off to the extent of the increase in disposable personal income since 1939.

(a)—Disposable personal income in constant dollars per full-time equivalent employee has increased 15.27 percent since 1939.

(b)—No Tax.

Source: Tax Foundation, Inc.

So much for where we stand today as compared with 1939. But what will happen if inflation continues? What will money be worth then?

The 15 million persons who are expected to be 65 and over in 1960 are certainly on a spot unless their experience, know-how and mental vigor are rewarded in some way. Nor is longevity a boon to pensioners and others forced to retire on fixed incomes. $300 a month in retirement income in 1960 approximates $212 in today's buying power. If inflation continues, $300 will buy less and less of today's goods in 1960.

Insurance and Social Security

83,000,000 life insurance policy holders will do well to have these contingencies in mind as they make provision for their beneficiaries. 20,000,000 pension beneficiaries, 107,000,000 in social security and millions of others who have invested their earnings in savings and loan shares, U. S. savings bonds and bank deposits are vitally concerned in the trend of the 50 cent dollar—down or up, more or less inflation, decrease or increase in buying power. Strong forces are at work to curb inflation—forces stronger and healthier than government controls, judging by the reluctance of consumers to pay present prices. But there is no telling when international affairs will force our government to pump an enormous stream of inflationary money into our economic system to provide adequate military defense. At that moment the cry for government controls over everything will become deafening.

If, by remote chance, the wheel of fortune should turn sharply the other way, causing a depression and a sudden increase in the purchase power of liquid assets, what then? Would real estate values tumble to the point of catastrophe, for example? Fortunately, credit men, bank officers and other lending agents have universally adopted monthly repayment loan plans. The real estate mortgage which is amortized monthly is the rule, not the exception, today. If a crash comes, quite unlikely, real estate is likely to find itself in a far better position than in the '30s. Consumers are increasing their equities in goods and properties month after month. Coupled with this fact is another assurance against calamity: Credit and loan men have learned in the last decade and a half that it pays to nurse honest borrowers through periods of financial distress without resort to repossession and foreclosure. If life insurance companies also would introduce modern monthly repayment plans and collection departments to amortize some of the $2.6 billions now outstanding in policy loans, then consumers and the nation would be that much stronger should a recession or depression occur.

Continued deficit spending by our government can only be condoned on the basis of absolutely essential expenditures for the defense of the nation. The longer our government continues to spend more than it takes in, then the more we increase our future tax burdens and the less we shall have in the way of personal disposable income after taxes.

The wealth of our nation in terms of 1929 dollars reveals a per capita increase of about 9% in 1951 over 1939 but a decline of 4% over 1929. Thus the interplay of population growth and inflation factors raises a question of whether we have added much, if anything, to our national wealth per capita since 1929. One authority asks *(Please turn to page 96)*

How Hidden Wages Affect Corporate Profits

By THOMAS L. GODEY

The cost of so-called "fringe" benefits to labor is now not far from $25 billion a year, or approximately one fifth the total annual payroll costs of American industry. In this figure lies the story of one of the greatest transformations in history in the relationship of management to labor.

The rise of "fringe" benefits as a powerful force in industrial relations has escaped the attention of most investors who have concerned themselves rather with direct wage costs. Yet, the hidden costs involved in "fringe" benefits are mounting steadily and are commencing to exert a formidable effect on corporate costs generally. It is obvious, therefor, that the investing public—and business men—have a new factor to consider in estimating the future of corporate profits.

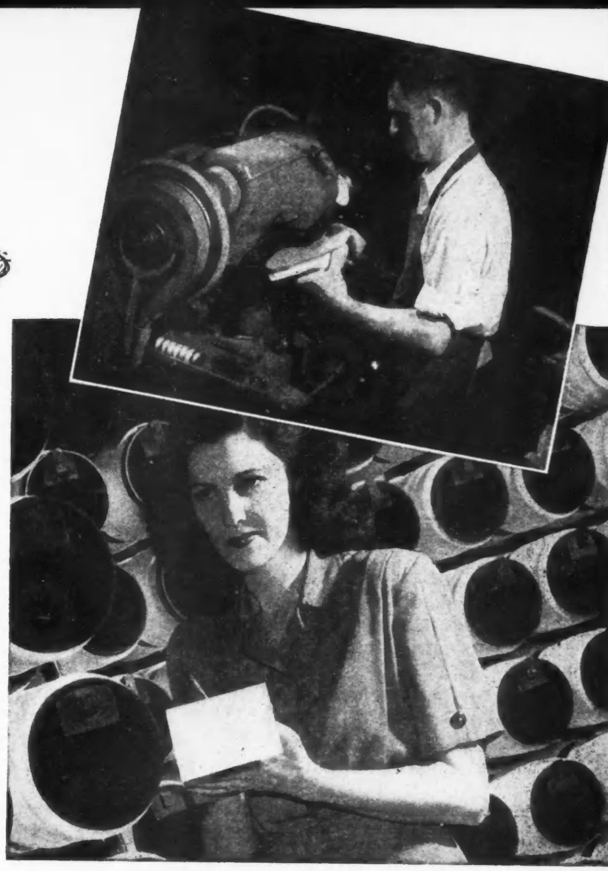
"Fringe" benefits are a complicated assortment of indirect wage items, such as social security, pensions, paid rest periods, payments for time not worked (vacations etc.), profit sharing and many others of the kind. The accompanying tables, compiled by the U. S. Chamber of Commerce, gives the cost of these various items in greatest detail and are worth pondering by corporation executives and investors.

Voluntary and Involuntary Costs

These hidden payroll costs are divided into involuntary (legally required) items—social security in its various forms—and voluntary, which include miscellaneous payments for vacations, pensions, and a host of others such as fees for State or National Guard duty, jury duty, sick leave, profit-sharing, bonuses of various sorts and pensions.

Actually, there are 17 separate major classifications of "fringe" benefits, of which only four, revolving around social security, are legally required. The rest have all been the result of negotiation between the unions and management.

One unique sidelight of this immense paraphernalia for distributing the blessings of a rising national income among the workers has been the increased demands on corporations for enlarged accounting and legal departments to take care of the enormous detail involved in new bookkeeping operations. Incidentally, this has been by no means unfavorable to business machine concerns whose labor-saving devices are very useful to the many concerns deluged with new obligations to keep their wage records straight.



Concealed wage costs now total 16.4% for manufacturing concerns and 22.2% for non-manufacturing. Of this, compulsory payments are 3.8% for manufacturing and 3.1% for non-manufacturing. This leaves 12.6% for all voluntary payments for manufacturing and 19.1% for non-manufacturing. These figures are important for they show that the greatest part of the increase in "fringe" benefits have been a result of the constant—and successful—pressure of labor unions to demand more and more privileges from the corporations. How successful labor unions are in this respect is illustrated by the provisions of the settlement of the recent steel strike which granted "fringe" benefits of about 8 cents an hour, amounting to nearly 50% of the 17.5 cent cash wage increase. In other words, hidden costs to the steel industry, in addition to the boost in wages, became a principal item in the new set-up. Actually, the cost of this "fringe" benefit increase amounts to roughly $75 million a year for the industry, in addition to the $200 million a year direct wage increase.

Costs of "fringe" benefits vary from industry to industry and from company to company. It is worth noting, however, that since 1948 an increase of about 66% has occurred and now amounts to from $433 per worker per year in the textile products and ap-

parel industries to as high as $975 per worker in the petroleum industry. The following represents the amount per worker per year of these new labor costs in some of the principal industries: pulp, paper, etc., $535; chemicals, $725; rubber, $512; primary metal industries, $575; machinery, including electrical, $583; public utilities, $769; trade, $517, and banks, $813. The average cost for all industry is $644 per year.

Variations in payments are extreme and depend on the extent of unionization of the industry and, in many cases, the location of the plant. In some cases, "fringe" benefits amounted to only 5% of the payroll, and in others are as high as 50%. Finance and trust companies pay the largest percentage of total payroll costs, with 26.4%, and petroleum and chemicals come close with 22.5% and 20.4% respectively. Lowest in rank of "fringe" payments is the textile industry, with 14.1%.

Higher Pensions Demanded

It is interesting to observe in some cases, that individual workers are not too appreciative of the new benefits, preferring the extra cash in the pay envelope, presumably on the theory that this would better enable them to take care of their personal requiremnts, such as vacations, medical expenses and the like. It would seem, therefor, that the old "rugged individualism" which once characterized this country is not entirely dead, even in the ranks of labor. However, this represents a minority, most of the workers demanding that their union officials go after even greater "fringe" benefits than the present.

Labor unions are especially directing their drives toward securing higher pensions. These now amount to about 30% of all "fringe" benefits. About nine-tenths of non-manufacturing companies now have pensions of varying size, as against two-thirds of the manufacturing companies. In time, this branch of industry will increase its pensions and will equal that paid by the non-manufacturing group. At present, average pensions are about 4.6% of payroll, which amounts to about 3¼ times pensions directed by law. The latter include social security, and railroad retirement tax and insurance. Corporations now pay out about $5 billion a year in pensions and the sum increases year by year.

This enormous amount of money is having an effect on the investment markets and unions now employ investment managers to handle the smooth flow of these funds into securities.

Most of the investments are in bonds of different kinds, but there is increasing awareness among the pension fund managers of the advantages of sound common stocks. Increasing acquisitions of stocks, ironically enough, puts the labor unions into the "capitalist" class.

The significance of this development has been recognized by far-sighted corporation executives who foresee the time when the unions, as stockholders, will make a drive to be seated on the board of directors in those companies in which they hold a good-sized stock interest. As yet, labor pension fund holdings of common stocks are small but they will increase in time and with it a demand by the unions for a share in the management.

For a number of our largest corporations, the amounts paid out for "fringe" benefits, exclusive of recent wage increases, are already a very considerable factor in profits. Thus, hidden wage costs in 1951, amounted roughly to $4 a share on U. S. Rubber; Standard of New Jersey, 90 cents; Johns-Manville, $2; Sears, Roebuck, $1.25; Chrysler, $4; Westinghouse, $2.50; General Electric, $2.50; General Motors, $2, and U. S. Steel, $5 a share. These amounts naturally are reduced by taxes but, even after this deduction, represent a considerable portion of profits. Obviously, a factor of such dimensions has a bearing on dividend policies, and creates financial problems inasmuch as the additional costs tend to reduce working capital.

An illustration of the problems created by hidden wage costs is afforded by a breakdown of the steel industry's experience in recent years. In 1940, total fringes amounted

TABLE I

Major Types of Fringe Payments by Industry Groups

Industry group	Fringe payments as percent of payroll: Total, all fringe payments	Legally required payments (employer's share only)	Pension and other agreed-upon payments (employer's share only)	Paid rest periods, lunch periods, etc.	Payments for time not worked	Profit-sharing payments, bonuses, etc.	Total fringe payments as cents per payroll hour	Total fringe payments as dollars per year per employee
Total, all industries	18.7	3.5	5.4	1.9	6.0	1.9	31.5	644
Total, all manufacturing	16.4	3.8	3.9	2.0	5.2	1.5	28.9	599
Manufacture of:								
Food, beverages & tobacco	17.7	3.8	3.5	3.1	5.5	1.8	29.5	636
Textile products & apparel	14.1	4.3	3.0	1.5	4.7	0.6	21.5	433
Pulp, paper, lumber & furniture	14.8	4.0	3.4	1.8	4.4	1.2	24.8	535
Printing & publishing	15.1	3.3	3.9	0.9	6.3	0.7	30.6	574
Chemicals & allied products	20.4	3.7	5.2	3.1	6.0	2.4	34.2	725
Petroleum refining	22.5	2.8	9.5	0.5	8.2	1.5	46.4	975
Rubber & leather products	16.2	3.7	2.9	2.6	6.1	0.9	26.1	512
Stone, clay & glass products	14.2	3.6	4.8	2.0	3.6	0.2	22.8	477
Primary metal industries	14.6	3.5	4.8	0.9	4.1	1.3	26.1	575
Fabricated metal products (excluding machinery and transportation equipment)	16.2	3.7	4.2	2.5	4.5	1.3	28.4	598
Machinery (excluding electrical)	15.7	3.5	3.6	1.6	5.2	1.8	29.1	630
Electrical machy., equipment & supplies	16.5	3.9	3.5	1.9	5.3	1.9	35.1	583
Transportation equipment	15.1	4.0	3.2	2.3	5.0	0.6	27.9	594
Instruments & miscellaneous manufacturing industries	17.6	3.9	3.9	1.7	5.5	2.6	27.1	571
Total, all nonmanufacturing	22.2	3.1	7.3	1.7	7.5	2.6	35.3	709
Public utilities (elec., gas, water, telephone, etc.)	20.6	3.1	7.7	1.2	8.2	0.4	36.5	769
Trade (wholesale & retail)	18.5	3.4	4.7	2.7	5.1	2.6	23.9	517
Hotels	15.6	5.0	5.0	1.6	2.9	1.1	15.6	353
Banks, finance & trust companies	26.4	2.8	8.6	1.8	7.9	5.3	42.0	813
Insurance companies	21.7	2.7	7.1	1.4	8.1	2.4	32.5	621
Miscellaneous industries (coal mining, warehousing and laundries)	17.3	4.4	3.0	5.0	4.5	0.4	31.3	592

Compiled by U. S. Chamber of Commerce.

to $.10 an hour, compared with straight time rates of $0.83 an hour, or approximately 12½%. In 1946, fringes rose to $.17 an hour and straight pay to $1.29, or 13%.

By 1950, total fringes amounted to $.33 an hour and straight pay, $1.59, or 21%, and in the following year, total benefits were $.37 and straight pay $1.76, or also 21%; but in 1952, after the recent strike, fringe payments were about $.45 and straight pay about $1.94, or 23%.

What happened is that in the past twelve years, cash steel wages increased 110% but fringe benefits increased 340%. In other words, hidden wages have become an important item though this has been obscured by the rapid advance in direct wages.

Failure to appreciate the meaning of this development has been due to the fact that the attention of the general public has been riveted on the struggle for higher wages, whereas the fight over higher "fringe" benefits is equally important. In fact, it is probable that from this time on, pressure will be exerted on the corporations for these special benefits rather than on higher wages per se. In any case, it is a trend well worth watching.

"Fringe" Benefits Tax-Free

It is worth noting that "fringe" benefits are tax-free so far as the workers are concerned so that their gain in real wages has been far greater than indicated by the actual amount of wages received. This is a feature not stressed by the Bureau of Labor, which confines itself in its statistics mainly to straight cash wages, although, on face, hidden wages play a large part in the earnings of labor.

An important characteristics of "fringe" benefits is that they have become imbedded in corporate costs. Eventually, all industrial groups will be compelled to consider this as much a normal part of costs as actual wages, as, indeed, many corporations do already. The general effect will be to increase the so-called "break-even" point of industry which is another way of saying that the fundamental profit margin is likely to be reduced by the total amount of fringe payments required.

It is true, as with wages, that total payments will fluctuate with the volume of employment so that in a period of unemployment both elements in wage costs—fringe and direct—will tend to decline. However, the ratio of fringe benefits to wages is bound to remain high in any eventuality, regardless of the totals involved so that this cost factor will tend to become rigid and difficult to reduce materially.

Effect of Hidden Wages in Recession

In a period of prosperity and full employment, such as the present, higher costs, incurred through "fringe" benefits may be passed on to the consumer, at least in part. This tends to lessen the impact on profits at such a time but the question remains whether the corporations could stand the extra load in a time of depression. Certainly, this is a problem which corporation officials are considering very seriously.

As to a solution, it is obvious that only full productivity can support the very high operating costs of American business, to which hidden payroll costs are now contributing their share. With the power of labor steadily increasing, it is of the utmost importance that every means be utilized to keep production and consumption on the highest scale, for the unions are apparently not going to accept gracefully any material cut in their share of the nation's income. In order to insure this, however, labor must increase its productivity. It must find every means of enhancing efficiency and must, in general, share responsibility with management for profits.

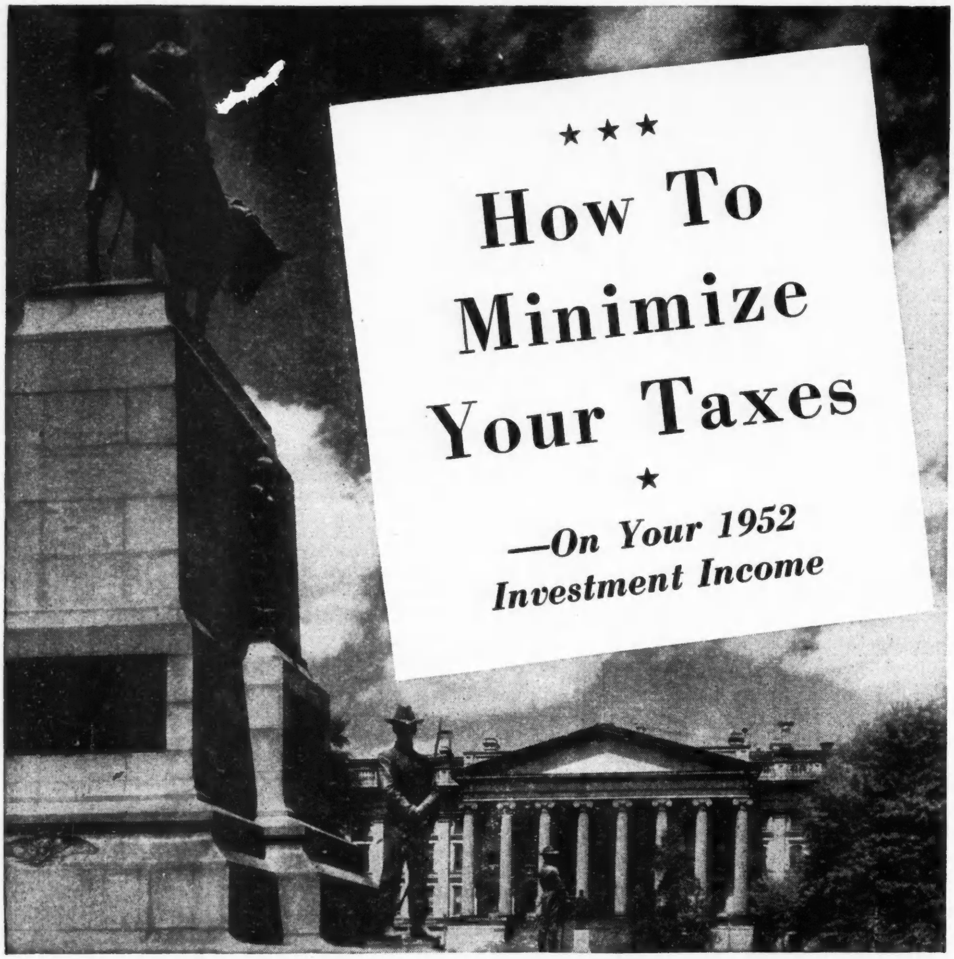
TABLE II

"Fringe" Payments to Employees

Type of payment	Total, all companies	Total, all mfg.	Total, all nonmfg.
Total fringe payments as per cent of payroll	18.7	16.4	22.2
1. Legally required payments (employer's share only)	3.5	3.8	3.1
a. Old-Age & Survivors Insurance	1.4	1.4	1.3
b. Unemployment Compensation:			
(1) 0.3% tax to Federal Govt.	0.3	0.3	0.3
(2) State tax (net)	1.1	1.3	1.0
c. Workmen's compensation including est. cost for self-insured)	0.6	0.8	0.4
d. Railroad Retirement Tax, Railroad Unemployment Insurance, sickness benefits insurance, etc.	0.1	*	0.1
2. Pension and other agreed-upon payments (employer's share only)	5.4	3.9	7.3
a. Pension-plan premiums & pension payments not covered by insurance-type plan	3.6	2.4	5.2
b. Life insurance premiums, death benefits, sickness, accident and medical-care insurance premiums, hospitalization insurance, etc.	1.4	1.4	1.3
c. Separation or termination pay allowances	*	*	0.1
d. Discounts on goods and services purchased from company by employees	0.2	*	0.4
e. Miscellaneous payments (free meals, compensation payments in excess of legal requirements, payments to needy employees, tuition refunds, savings and stock purchase plans, etc.)	0.2	0.1	0.3
3. Paid rest periods, lunch periods, wash-up time, travel time, clothes-change time, get-ready time, etc.	1.9	2.0	1.7
4. Payments for time not worked	6.0	5.2	7.5
a. Paid vacations and bonuses in lieu of vacation	3.2	3.1	3.4
b. Paym'ts for holidays not worked	2.0	1.8	2.5
c. Paid sick leave	0.6	0.2	1.2
d. Payments for State or National Guard duty, jury, witness and voting pay allowances, payments for time lost due to death in family or other personal reasons, etc.	0.2	0.1	0.4
5. Other items	1.9	1.5	2.6
a. Profit-sharing payments	0.7	0.7	0.7
b. Christmas or other special bonuses, service awards, suggestion awards, etc.	1.0	0.6	1.7
c. Special wage payments ordered by courts, payments to union stewards, etc.	0.2	0.2	0.2
Total fringe payments as cents per payroll hour	31.5	28.9	35.3
Total fringe payments as dollars per year per employee	644	599	709
Number of companies	736	435	301

*—Less than 0.05%.

Compiled by U. S. Chamber of Commerce



How To Minimize Your Taxes

—On Your 1952 Investment Income

By **ARTHUR C. STRASBURGER**, Tax Attorney

With income tax rates at the highest level in the peacetime history of this nation, an investor must consider the tax consequences of his investment position and of any contemplated changes. The net result after taxes is now an accepted test of the wisdom of any change. This test applies to the entire investment picture, from the net yield on dividends and interest to the net gain or loss upon a sale or exchange in holdings.

A good investor, as any prudent business man, must consider the costs of a venture and whether the yield is worth the risk. There is no easy rule in determining the effect of taxes on investment income or the type of portfolio which will curb the effect of high tax rates. Yet it must be acknowledged that because taxes are a major factor in most income producing ventures, it is essential for an investor to have a working knowledge of the tax laws most likely to affect him.

An ultimate knowledge of the tax code, regulations and rulings are unnecessary, but an investor should be aware of certain tax problems and tax-saving possibilities. Tax mistakes are sometimes costly. If alternative methods are available, the investor should consider which one offers the least tax cost without impairing his position. A tax conscious attitude is more important than a thorough background in the specific tax rules applicable to investors.

Most taxpayers anticipate that they will render their tax accounting on March 15, 1953 for operations in 1952, but disregard the fact that their liability is being determined by taxable transactions occurring now and throughout 1952. Although a year round tax-consciousness is preferable, *an appraisal of tax liability early in the last quarter of the year will permit adjustments and indicate opportunities to minimize tax cost for the year.*

The pay-as-you-go policy requires a declaration of estimated tax by investors anticipating more than $100 of income during the year which will not be subject to withholding. These quarterly estimates, the last one for 1952 being due January 15, 1953, offer an investor a convenient method of checking his tax liability during the year and adjusting his portfolio whenever possible. It is often too late to review the tax picture in December or next year when nothing can be done. For that reason, an investment and tax review should be made immediately with plans adopted for any changes that appear advisable.

A Convenient Method of Checking

Income from dividends and interest, exchanges, options and actual or "paper" gains and losses may appear on many accounts. How can the tax effect be minimized for 1952, and if not for this year, what can be done for the future? If losses have been suffered, how can they be used most effectively? There is the possibility that a review before the end of the year will point to some changes which would improve the investment position as well as the tax picture.

A short summary of basic tax rules affecting securities and other investments must precede any suggestions to minimize taxes. Important changes in the method of computation become effective for the first time in 1952. The 1951 Revenue Act modified the method of computing long-term gains and losses. This change applies to all taxable years beginning

after October 31, 1951. Therefore, the 1952 calendar year tax return is the first in which the great majority of investors must follow this amendment.

An investor separates his securities on a holding period basis. Investments held less than six months from the date of purchase are classified as short-term. A long-term holding applies to any security held six months or longer. Before 1952 only 50% of the gain or loss upon the sale or exchange of a long-term capital asset was taken into account to determine taxable income. However, the entire gain or loss had to be reported on the sale or exchange of short-term capital assets. As a result of this rule it had been advisable to retain securities which had appreciated in value until six months had elapsed. Losses were realized whenever possible before six months passed in order that the entire loss could be deducted. A short-term gain was fully taxable and only 50% of a long-term loss could be taken into account.

These rules have been revised for 1952 and later years. Long-term gains and losses are not immediately halved before determining gain or loss to be reported. The entire long-term gain or loss is offset by any short-term gains or losses. Only if there is an excess of long-term gains over short-term losses would the excess be halved and the balance reported. However, if there is an excess of short-term gains over long-term losses, then the balance is reported in full as a gain. Likewise, if there is an excess of short-term losses over long-term gains, the net loss is fully allowed.

An Important Change

As a result of these changes, it is no longer possible to figure that losses will offset gains amounting to twice the losses. An investor cannot obtain, as he could in prior years, an offset of $4 of long-term gains by $2 of short-term losses. This was due to only 50% of the long term gain, or $2, offsetting the $2 short-term loss. In fact, under 1952 law, there would be a $2 balance of which $1 would be taxable; this is due to the full gain of $4 being subtracted from the loss of $2, and only because the gain exceeds the loss, will the difference be halved so that $1 is included as taxable income.

While this change increases taxable gain on long-term transactions, another amendment gives an investor the full benefit of any long-term loss. Even if there is an excess of long-term losses over short-term gains, the net loss will be deducted against taxable income up to a maximum of $1,000 in each of six successive years. Any loss arising from long-term or short-term holdings can be used to offset up to $1,000 of taxable income in 1952 and the unused balance can be carried over for the next five years to offset taxable income in each year up to $1,000. Therefore a net loss from sales of securities in 1952 can be carried forward so that some part of the total loss can offset income in every year to 1957.

An investor having only long-term and short-term gains would report short-term gains in full and 50% of long-term gains. Both long-term and short-term losses would be reported in full, subject to the $1,000 limitations each year as deductible against other income. As a result of these rules, all capital gains and losses are reported in full except when there is an excess of long-term gains over short-term losses or when there are long-term gains without any losses. In either case only 50% of the net gain is taken into account.

The changes will affect the tax consequences of sales made throughout 1952 and they must be kept in mind if any action is contemplated in this last quarter to improve the tax picture. If short-term or long term gains have been realized earlier, long-term losses might be realized which will be deductible in full against the gain. If losses have been suffered, it may be advisable to realize gains so that the losses can be used to minimize or offset any taxable income.

An investor will find that he may complete the tax on certain transactions under an alternative method. A ceiling of 26% is the maximum effective rate imposed on the excess of long-term gains over short-term losses. In the event of short-term gains exceeding long-term losses, the excess is subject to tax at the rates applicable to other taxable income. Prior to 1952 the ceiling of net long-term gains had been 25%. The present effective rate of 26% is determined by multiplying 50% of the actual excess of net long-term gains over short-term losses by 52%, the maximum tax rate applicable to net long-term capital gains. A single investor, with taxable income in excess of $14,000, a husband and wife filing a joint return reporting more than $28,000 or a head of a household reporting more than $20,000 will generally find it beneficial to use the alternative method since income above the level is taxable at rates above 52%. As a result, investors can expect that any gain realized on investments held more than six months will be taxable at a rate of 26% so that on every $100 of long-term gain there will be $74 retained after taxes.

To apply these rules and objectives to an investor's portfolio requires a summary at this time of gains and losses realized in 1952, the paper profit or loss on all investments owned or held in short position, the estimated taxable income in 1952 from other sources and any available carry-over of capital losses suffered in prior (*Please turn to page* 94)

Important Points to Bear in Mind

In Estimating Your 1952 Income Taxes

- I. Tax Conscious Attitude
  - A. Year Round Tax Planning
    - 1. Use of Estimated Tax Procedure
    - 2. Last Quarter Review
- II. Summary of Tax Law
  - A. Law prior to 1952
    - 1. Holding period rule
    - 2. Rules on capital gains and losses
    - 3. How transactions were handled
  - B. Summary of Special Provisions
    - 1. Limitation rate on carry-over of losses
    - 2. Alternative rate on long-term gains
- III. How to reduce tax on sale of investments
  - A. Offset of gains and losses
  - B. Ageing of security holdings
  - C. Identification of shares
  - D. Repurchase to increase tax basis
  - E. Avoidance of "wash sale" rule
- IV. How to minimize tax on investment income
  - A. Spreading income among family
  - B. Creation of trusts
  - C. Tax-exempt investment income
- V. Other factors affecting tax consequences
  - A. Expenses in handling investments
  - B. Consideration of false tax loopholes
  - C. Investment position versus tax factors

Happening in Washington

—CONGRESSIONAL INVESTIGATIONS—

By E. K. T.

INDORSEMENT of Adlai Stevenson for the Presidency of the United States doesn't mean that the million-member Machinists' Union has abandoned a non-partisan political course, says IAM's national headquarters here in an apologia that earns classic rating. The man and the party are readily separated in the union thinking, and it just happens that Democrats win indorsement more often than Republicans because, says the union spokesman, "the Democrats have nominated more liberal, fair-minded men for public office." The professional whipping boy (Sen. Taft) is trotted out, too. He and Eisenhower agree on labor relations matters, says the machinists' spokesman in a kiss-of-death intent.

WASHINGTON SEES:

Correspondents returning from the Eisenhower campaign trains and flights are taking a new look at the GOP candidate's election prospects and reporting a clearly recognizable upturn in that respect. The "professional" touch has been added to the amateurish beginning.

The blending of Taft and Eisenhower efforts began the upswing. The extreme right wing of the Republican party, at first deeply resentful that their candidate failed to capture the nomination, has been returning to the fold. That development has been most noticed in the campaign contributions, which the party sorely needed but the general, despite his personal popularity and esteem, was unable to attract. The political climate in Ohio and bordering states also is reported to have improved from the Republican standpoint.

Enigma of the closing days of the campaign is President Truman. His heavy-handed bombardment of Eisenhower is attracting attention and drawing crowds, but even in Democratic headquarters the question is bandied about: is he attracting votes for Stevenson? Public opinion polls show the general running ahead, even in normal Democratic territory, making some of the conclusions hard to accept. However, they can't be ignored. And in the top stratum of Democratic control, they aren't.

ANYBODY who was not investigated by Congress, or who is not a member of some organization (business or otherwise) which was not probed by the lawmakers last year has ground for complaint that he was snubbed. More than 200 of these studies were authorized and, more importantly, financed. They ran all the way from the familiar un-American Activities inquiry to the Katyn Forest Massacre investigation, which is hardly familiar—at least a series of telephone calls to Capitol Hill failed to produce an iota of information on what's it all about. Congressmen, it appears, have discovered that the easiest route to the title of "Mr. Chairman" is to sponsor an investigation.

INVESTIGATIONS pay off now and then. They weren't numerous until the past decade when a Senator from Missouri by the name of Harry S. Truman started one involving war contracts and parlayed it into the Presidency of the United States. Senator Estes Kefauver came within striking distance of the same goal with a probe of crime and Senator Richard Russell was a runner-up on a national reputation developed out of his MacArthur hearings.

EXPECTATION of earlier days that a campaign being waged between two high-minded intellectuals—Eisenhower and Stevenson—would elevate political discussion to a new level, seems to have been wishful thinking. Neither can control his ardent followers and it was not expected that either could. But the principals are now slugging it out, each speech inviting a rebuttal and heaping fresh fuel on the fires that come dangerously close to personalities. President Truman's whistle stop tour in which he's pouring it on Ike isn't doing a thing to improve the situation.

As We Go To Press

Republican national committee is walking on eggs, waiting to learn whether there will be any reaction after the emotional aspects of the Nixon fund broadcast dissipates. So far there has been no indication that the GOP vice presidential candidate's televised explanation has lost any of the original force of conviction. And there has been such an onrush of other candidates to tell of their income and outgo, and the sources, that the public is becoming slightly tired of the issue and shows impatience to get the campaign show back on the road. The general attitude seems to be: enough of that!

One certainty is that the next Congress will receive (but very likely will ignore) numerous bills to bar "Nixon funds" -- money from outsiders not falling within the precise classification of campaign donations. Examination of the Nixon audit discloses very little that could be charged to the taxpayers and there was no explanation as to whether the travel expenses to make speeches and the cost of reprinting speeches and mailing them related to general public business or the special interests of the givers. The California Senator might have used his limited time before the TV cameras to amplify that point rather than wasting it talking about his dog, say some of the more jittery members of the national committee. Time will tell.

It would be disingenuous to say that the "mess in Washington" issue has not been largely eradicated by the Nixon incident. Any further mention of it -- unless, of course, specific cases are cited -- invites a sneering suggestion: Look who's talking! And the candidates are very close together on international goals although somewhat apart on methods. The Republican speakers are criticizing past performance, but General Eisenhower has been so closely related to the current programs that his hands are tied. To that extent there is conflict, if not downright inconsistency, in the General's camp. Yet he must discuss foreign policy. It's his field.

Neither party can lay claim to monopoly of methods now being used to bolster world unity. United Nations, North Atlantic Treaty Organiation, Point Four Program, Mutual Security Administration, and the three-way deal this country has entered into with New Zealand and Australia, are products of Congressional action in which members of each party gave support and heaped criticism. So far neither candidate has proposed that any of them be wiped out; therefore, another campaign issue is adulterated. And the products of the multi-billion dollar expenditures are taking form.

While costly, it is consoling to know that the appropriations voted since Russia began to act up have placed a defensive barrier about the red empire -- one the military men in the Pentagon dreamed of but didn't think it possible to finance. They thought Congress would balk. Air bases have been built in Greenland, Iceland, England, France, Germany, Italy, French Morocco, Libya, Saudi Arabia, Newfoundland, the Azores, Bermuda, Panama, Cuba, Puerto Rico, Trinidad, Alaska, the Aleutian Islands, Japan, Korea, Hawaii, and elsewhere. United States military men have trained armies in a dozen countries; the fleet has been de-mothballed and has tested the waters of many strategic areas in maneuvers. It would be the resignation of pessimism to say that the situation is not well in hand.

The Office of Price Stabilization is rapidly reducing its manpower force. It might well do so, for it is falling apart as a result of decontrol actions. While OPS has been roundly criticized on Capitol Hill and elsewhere it must be given credit for removing price ceilings where it has been demonstrated that the original need has evaporated. Shoes are one of the latest major commodities to get release; dozens of food items have been freed. It is recognized that OPS takes these actions with obvious reluctance, but the point is that the actions are being taken.

Automobile associations will ask Congress next year to re-examine policy on excess taxes affecting production and use of cars and trucks. With costs of vehicles skyrocketing, federal taxes are adding almost $2 billion annually. Gasoline taxes naturally lead, with $713 millions; sales taxes on diesel and lubricating oils, on tires and tubes, parts and accessories account for the rest. Automobile manufacturers and sellers, as well as overland transport companies protest that the ever-growing list of excise taxes is having a seriously depressing effect.

The relaxation of controls by NPA on construction and recreation buildings previously slated for July 1, 1952, and postponed because of the steel strike, has now been promised before April 1, 1953. Builders of recreational structures will be allowed five tons of carbon steel, two tons of structural shapes, 500 pounds of copper and 300 pounds of aluminum. Highway construction will give way to building of recreational facilities insofar as available materials are concerned. School construction will have priority over both, based on the demonstrated need for more classrooms.

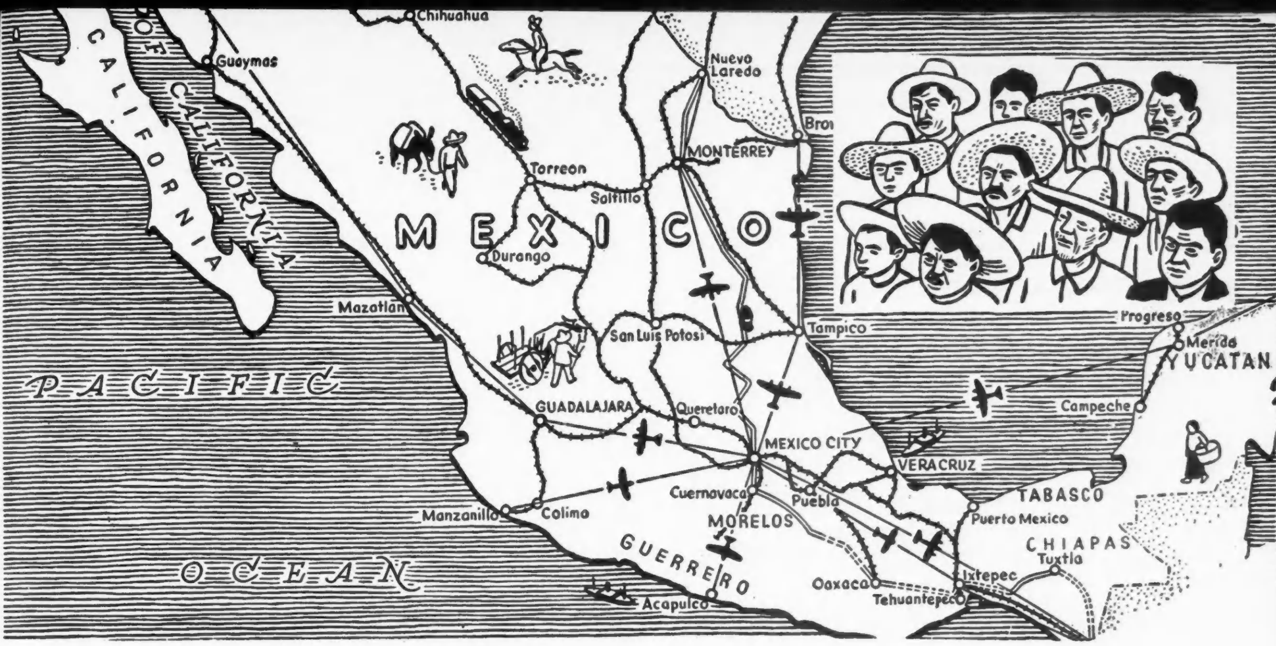
The Senate agriculture committee has issued a long-awaited report on its study of grain storage operations. It deserves close attention. It indicates that the government lost $10 million in privately-stored grain. Although it involves a substantial amount of money, the report takes only 43 mimeographed pages to describe the basic problems and to suggest 16 steps to be taken to cure it. Deterioration accounts or less than one-half of the loss, says the report. Salvage and reimbursement bonds will cover most of the remainder, which is of importance to the taxpayer but doesn't answer the question whether the system is wrong. Nobody was labelled "criminally wrong," and the strongest charge was inefficiency. That seems a reasonable complaint when proofs are offered that 131 warehousemen embezzled or converted $10 million dollars worth of government-owned grain under the eyes of the federal agents responsible for its protection.

Turkeys, which not many years ago graced the dinner tables on Christmas Day, Thanksgiving Day and a few other gala occasions, are now lower on the dietary social scale than hot dogs. The Department of Agriculture has come to the rescue of turkey raisers by purchasing 317,600 pounds of the birds under the surplus removal program aimed at stabilizing markets. The turkeys will be used in the school lunch contributions. The 1952 crop went out of bounds and predictions -- 13 per cent over last year with a total of 59,000,000 birds.

Real estate (other than owner-occupied homes and farms) in 1952 was the most widely held of the four types of business investments, including corporate stocks, studied by the Federal Reserve Board in its 1952 survey of consumer finances. Approximately one in every seven consumer spending units (families) owned some such real estate this spring, according to the survey report. Most frequently it was a one- or two-family house, a farm, or a prospective home site.

FRB concluded on the basis of the facts it gathered that ownership of real estate, other than homes and farms, was more widely distributed among the various income groups than was corporate stock or private business interests. Groups with incomes below $7,500 owned more than one-half of the total reported value of such real estate, with consumers having incomes of less than $3,000 accounting for one-sixth of that total. The frequency of investment real estate ownership rose from 7 per cent in the lowest income group (less than $1,000 a year) to approximately 39 per cent in the highest income classification ($7,500 and up). There were 4.5 million farm operators and two-thirds of them owned the land they worked.

The official count isn't in yet, but it's estimated that more than 50 per cent of the 2,400 communities having rent control exercised the privilege of abandoning the ceilings under the law which gave them that right as of Oct. 1. The Economic Stabilization Administration put on what amounted almost to a frenzied campaign to stop the trend to de-control. It wasn't effective.



A First-Hand View of MEXICO TODAY

By V. L. HOROTH

My first trip to Mexico was made some 16 years ago, in 1936, when the finishing touches were being put on the Pan American Highway, then open from Laredo to Mexico City. Going to Mexico was a real adventure in those days. Accommodations were few and far apart. Little stone block houses guarded the road in the high mountains where the Highway tapped areas still not fully pacified. After leaving Monterrey, which even then was Mexico's chief industrial city with steel mills, chemical factories, and breweries, we saw little industrial activity except around Ciudad Victoria and Monte, which had some big sugar centrals and refineries. For miles there was unbroken virgin jungle.

From Mexico City, then a city of about 1½ million, a spectacular railway trip took us southeast, past the snow-covered volcanos to the rich but largely jungle-covered country near Veracruz. And with everything going smoothly and the train not jumping the rails while it made its way through the endless forests of the Isthmus of Tehuantepec and the jungles of southern Chiapas, on the third day we finally reached the Suchiate River, where Indians waited in a rowboat to take us to Guatemala.

After the Revolution's End

Mexico in those days was buckling down to hard work, to reconstruction after nearly two decades of civil war, revolutions, and endless debates as to what the country should be like. Land distribution was in its last stages; "ejidos" (land cooperatives) were being organized, and here and there one saw a primitive "escuela" (rural school) with revolutionary slogans crudely painted on it. As I look back, the symbol of Mexico in those days was still the peon, the barefoot, poncho-covered villager going with his spare wares, often dogtrot, to the nearest market town. It seemed that the whole country was going to market or home from it. . . .

Mexico still seems to be travelling. But no longer largely on foot or donkeyback The symbol of today's Mexico, I would say, is the second-class autobus, jammed with country-folk going to market or distant field, and loaded with all kinds of produce—from chickens to bales of hay. Never in my life have I seen so many autobuses as on my recent trip which took me over most of Mexico's 14,000 mile paved highway system from the Laredo border to Tehuantepec in the "deep south"; through the rich plateau country past Morelia to Guadalajara; along the unfinished Pacific coastal highway past Tepic to Mazatlan where many luxurious sea resorts—future rivals of Acapulco—are in the making; and along the Central Highway through the mining towns of Guanajuato, Zacatecas, and Durango to Mexico's pride, the new modern town of Torreon, which might well be taken for a California city.

Mexico is indeed in a state of metamorphosis. One gets the first impression of it in Monterrey, now a city of considerably more than 400,000 people. New buildings, private homes, factories, and shops are rising everywhere. Like its industrial rival, Guadalajara, Monterrey is now engaged in driving wide avenues through the heart of the city, sparing nothing but historic landmarks.

But what impresses one most in Monterrey—and throughout Mexico, as a matter of fact—is the number of new factories. Everywhere in evidence are the modern functional buildings of steel and glass, many of them affiliates of American companies. One is constantly astonished at the variety of products which Mexico can now produce. There are paper,

Mexican and U. S. Cost of Living (1937 — 100)				
	Mexican Cost of Living			Peso Exchange
	In Paper pesos	Adjusted for Peso Val.	U. S. Cost of Living	Pesos per Dollar
1937	100	100	100	3.60
1945	247	183	125	4.86
1947 (4th Q.)	354	262	161	4.86
1948 (4th Q.)	377	197	168	6.89
1949 Dec.	403	168	163	8.65
1950 June	410	171	166	8.65
1950 Dec.	426	177	174	8.65
1951 June	460	191	180	8.65
1951 Dec.	504	210	183	8.65
1952 June	537	223	183	8.65
1952 Aug.	541	225	185	8.65
Rise since Korea		31.6%	11.5%	

veneer, and rayon mills and, of course, textile factories and food processing plants. Mexico today has factories making radios, electrical apparatus of all kinds, home appliances such as refrigerators, and office equipment. Chemical and pharmaceuticals industries, I was told, are booming. So must be the Coca-Cola and Pepsi-Cola bottling plants—for these two drinks are by far the most popular, and available even in jungle-hidden villages.

Automobiles and trucks have penetrated everywhere too, and I could not but smile at an extremely flimsy shack built from sticks in the wilderness of the Tehuantepec forest, sporting proudly the sign: "Ford Agency." The automobile plants, which assembled some 45,000 vehicles last year, are among the busiest in the country. Mexico had in 1950 around 283,000 motor vehicles as compared with 120,000 in 1937. One is astonished at the numbers of expensive cars in Mexico City, and considering that they cost some 50-60,000 pesos (nearly twice as much as in the United States), one is apt to ask who can afford them. The answer is that there is wealth in Mexico now. Incidentally, as a glance at the accompanying table will show, Mexico's national income increased from some 3.5 billion pesos in 1936 to an estimated 42 billion pesos in 1951.

However, the older industries are also apparently doing fine. In Monterrey, for example, steel mills are adding not only new capacity but also new processes. Power for the new mills is to be provided by the Falcon Dam, which will also provide water for rich lands along the lower Rio Grande.

Reviving the Land

As one rolls south toward Mexico City, one is constantly reminded of the many changes. The countryside too is stirring. There are tractors working on the broad flat fields south of Matamoras and around Monte. Where 16 years ago there was nothing but jungle, there are cotton and henequin fields now, and extensive citrus orchards. Land is being cleared and irrigation canals built.

No one has been more conscious of the necessity of extending Mexico's arable land than retiring-President Aleman, who will probably go down as one of the ablest and fairest post-Revolutionary presidents. During Aleman's administration, Mexico's arable land increased by about 10 per cent to around 40 million acres. Compare this with the cultivated acreage of about 360 million acres in the United States. Yet Mexico's arable acreage (yields are probably half as large as in this country) must feed some 26 million people who are increasing at the rate of some 600,000 a year and whose purchasing power is increasing.

There seems still to be plenty of good land available in some parts of Mexico, for example around Morelia and Aguas Calientes, but its development will involve expensive resettlement and water conservation. There is a long list of major and minor projects to extend in due time the arable land area, but it will take time. Three of the big projects, the Falcon Dam, The Reynosa Mission Dam, and the Yaqui River Canal are partly financed by the Export-Import Bank.

The fact that food production does not keep pace with the expanding population and the rising purchasing power is one reason for the inflationary pressure within Mexican economy as well as for the pressure on the country's international payments. Since the devaluation of the Mexican peso in the summer of 1949, the Mexican cost of living (see table) has risen nearly three times as much as the cost of living in the United States. Compared with 1935, the traveller finds Mexico quite expensive, though as a whole it probably costs somewhat less to live and travel in Mexico than in the United States.

The labor situation has been another factor in Mexico's inflation problem. Mexican wages and social benefits to workers have been rising somewhat faster than the rise in the cost of living would warrant with the result that even the modern factories tend to be high cost producers. Since the Mexican Government and "sindicatos"—the unions—work together, Mexican employers have learned from bitter experience not to oppose union demands. If it were not for high tariffs and import restrictions, many Mexican industries would be unable to compete with outside products.

To make things more difficult, the new administration of Adolfo Rui Cortinez—who was elected to succeed Aleman last summer and who will take office on December 1—will also have to deal with a bill introduced by the powerful Mexican Workers Federation, demanding a 10-peso ($1.15) minimum daily wage as against the present minimum of 6.65 pesos (75 cents). Also the unions ask *that they be given a fixed share of their employers' profits.*

No doubt some adjustment in minimum wages will be made. As to the second demand, it may be forestalled, because of its interference with the country's industrialization. The Administration is too well aware of the contribution of free enterprise to the present prosperity of the country. As a matter of fact, the last two Mexican Administrations have not only moved to the right, but have often been more steadfast in their opposition to labor's demands than the employers themselves. This, no doubt, has been due to a realization of the inflationary danger stemming from wages rising faster than productivity.

Pressure on the Peso

That the Mexican cost of living and production costs are rising faster than those in the United States is, of course, no good omen for the future of the peso. It means that there will be a more or less constant pressure on the peso from international payments. However, as long as some American capital continues to flow into the country to finance new plants and projects, Mexico can probably manage—

with the help of import controls and by drawing on the existing gold and foreign exchange reserves—to keep the peso freely convertible around the present rate of 8.60 per dollar for another two or three years. However, if Mexican production costs continue to rise as much as they have during the past two years, some readjustment in the dollar value of the peso may be inevitable.

Nowhere is the booming activity and the transformation of Mexico more noticeable than in Mexico City itself. Modern skyscrapers, "floating" on the filled-in lake on which the city stands, adorn Avenida Madero and the boulevard Paseo de la Reforma. Even on the side streets the skeletons of more skyscrapers are rising. With some 3¾ million people, the city is now larger than Chicago. There is a steady stream of American-made cars on the streets and with the Mexican drivers determined to show off their "valor"—their prowess—the traffic is maddening, and parking is as much a problem as in New York.

The custom of Mexicans, as of other Latin Americans, of investing in real estate is evidenced by fine dwellings in vast surburban developments. Some of these developments, such as San Angel, are as modern and luxurious as any in our own cities in the U. S. A. Near San Angel the new University City is rising, a huge complex of modernistic, functional buildings which are to house some 40,000 students.

There are beautiful residences, owned by Mexicans and Americans, also in Cuernavaca, a rapidly growing resort some 40 miles south of Mexico City. Farther South, in a setting that vies with Rio, is romantic Acapulco, which has grown within a decade from a fishing village to a Riviera-type city of nearly 50,000 people with hundreds of hotels and pensions. More tourists and residents are expected to come when a new fast highway, now under construction, replaces the present winding road. The new highway will bypass the picturesque hill-city of Taxco, now a national monument.

Tourism a Big Business

Tourists are now "big business" in Mexico and an important source of foreign exchange. According to the Banco de Mexico, American tourists in 1951 spent some $272 million (almost half as much in amount as the country's merchandise exports other than gold and silver), while Mexicans visiting in the States spent in the same year about $97 million, also a surprisingly large amount. Compared with 16 years ago, we found tourist accommodations throughout rural Mexico amazingly improved, thanks largely to the widespread building of motels. To protect tourists, all the better hotels and restaurants now serve purified water—with the result that the risk of "tourist trot" is definitely less.

In the absence of an efficient and extensive railway system, the highway and the motor truck are doing for Mexico what the railways did for this country during the past century; they are tapping new resources of raw materials and foodstuffs on one hand and on the other helping to broaden the market for the products of Mexican factories.

There is a lesson in economics written in the Mexican countryside. Even before the highway opens up a district, the transformation begins: in the country, more fields get cultivated and livestock herds are increased. Whole streets are razed to make room for transport and factories, and motels begin to appear. Zacatecas and Aguas Calientes on the newly opened Central Highway (El Paso-Mexico City) are engaged in such renovation, as is Tepic on the Pacific Highway which will be finished in about two or three years and will undoubtedly bring crowds from Southern California.

The Tonto River Dam

But Mexico does not build highways only. Southwest of Veracruz, in what was scrubby, insect-infested tropical jungle, is rising the Mexican TVA—the Papaloapam watershed project which will eventually bring water to some 1.2 million acres and prevent disastrous floods. The heart of the project, the Tonto River Dam, near the new town of Ciudad Aleman, is now in the last stages of construction. The jungle is being cleared and land broken to receive several thousand new settlers.

Those American tourists and visitors who go down to Mexico and, as many do, spend their time making unfavorable comparisons with the United States, are doing injustice to the country. Today's conditions in Mexico must be compared with the situation that existed a decade or two ago. Such a comparison will show phenomenal progress made by our southern neighbour Republic. There is no question that the spilling over of our boom has contributed to Mexico's progress. But the economic niveau in terms of consumption and the standard of living is so low, and the vitality and the upward momentum so great that even a recession in this country may not affect Mexico's future growth.

Moreover, there is greater political normalcy and stability in Mexico than in most of the other Latin American countries. (*Please turn to page* 97)

Mexico: 15-Year Progress

	1936	1951
Population (in millions)	18.4	26.3
Manufacturing production	100.[1]	220.
Petroleum output (000,000 tons)	5.9	11.0
Steel output (000 tons)	16.	430.
Lead output (000 tons)	203.	261.
Silver output (000,000 ozs.)	85.6[1]	43.8
Passenger cars in use (000)	78.2[1]	160.6[3]
Motor trucks in use (000)	42.2[1]	122.5[3]
Cotton production (000 bales)	397.	1,368.
Elect. energy produced (billion kwh)	2.24	4.90
Agricultural production	72.[1]	156.
National income (billion pesos)	5.7[2]	42.0
National income (millions of dollars)	1,030.	4,850.

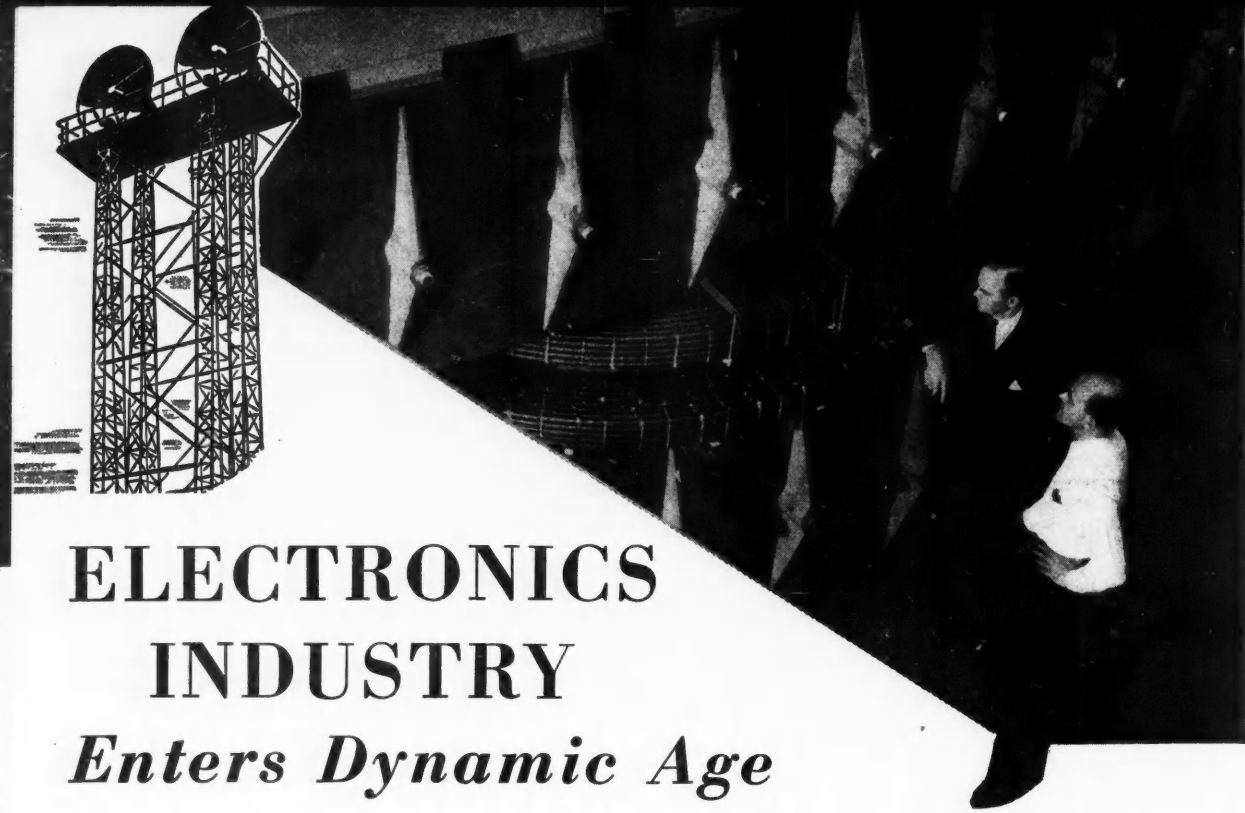
1—1937. 2—1939. 3—1950.

Mexico: Balance of International Payments

(in millions of dollars)

	1950	1951
PAYMENTS:		
Merchandise imports	$597	$879
Interest and dividends	74	53
Total	$671	$932
RECEIPTS:		
Merchandise exports	$485	$584
Newly mined silver & gold	55	54
Tourist receipts (net)	156	175
Workers' remittances & other	47	48
Total	$743	$861
Balance	+ 72	− 71
Inflow (+), outflow of funds	+103	+ 72
Increase (+), decrease (−) in reserves	+175	+ 1

Source: Annual report of the Banco de Mexico.



ELECTRONICS INDUSTRY

Enters Dynamic Age

By L. A. LUKENS

One of the most fascinating developments in recent American industrial history has been the astonishingly rapid growth of the electronics industry. From every indication, this new industry seems about to burgeon out into one of the most important created as a result of the impetus to research which arose out of war-time needs.

Already this lusty infant industry has reached a point where it will do a gross business of $4 billion in the year ending next July 1. This record multi-billion-dollar business envisaged for the ensuing 12 months is projected by an industry that is even new in its terms and phraseology. "Microwave relay" and "Transistor" are among the more common. At the recent four-day exhibit in New York's Grand Central Palace, the Institute of Radio Engineers attracted more than 25,000 curious folk, to whose lexicon was added such terms as "ruggedizer," "kick-sorter," "teledosis" and "hysteresis."

They were witness to the weirdest collection of electronic devices, gimmicks and gadgets ever gathered under one roof. They saw an ultra-high-frequency radio signal which sends to the moon and which is picked up by the National Bureau of Standards at Sterling, Va.

Among others, there is now a "flying typewriter," which is not a typewriter at all, but a line-at-a-time printer geared to the high-speed requirements of electronic computers and 4,000-words-per-minute data handlers. The cost: $35,000.

The term "flying typewriter" stems from its physical resemblance to its namesake—rubber rollers for the paper, ribbon spools for the ink and it prints standard characters of a typewriter keyboard. Major differences are in the size—five feet high and two feet square and the price, of course.

There also was an electronic fish-finder, and a padded cell used to test and evaluate sensitive electronic equipment.

But lest the impression get abroad that the gimmickry and gadgetry of the electronic scientists is for the Buck Rogers devotees, it should be made clear at once that this is an industry which is changing the living and working habits of a nation, to say nothing of its major contribution to the defense of the free world.

At Poughkeepsie, N. Y., this summer International Business Machines Corp. dedicated a major addition to a plant that has $180 million of electronics war contracts. When present contracts are "fully operative" 50% of the plant's personnel will be engaged on "a vital air force project."

While there was a general reluctance to discuss the nature of any military project, IBM officials showed off "a magic brain" utilized in the defense effort, in addition to a score of other electronic wonder gadgets. They calculated their electronic brain would save the nation 90 million man-hours yearly. It was designed to free scientists and technicians from the drab routine of computations.

With the aid of the electronic brain, rockets are designed and their flight studied—yet there is no need to build the rocket. Aircraft wings can be tested for stress and lift without leaving the drawing board.

It already is at work at Oak Ridge, Hanford and Los Alamos—atomic plant sites. At the Hanford plant the electronic brain quickens the progress of plutonium manufacture. It adds or subtracts 2,174 five-digit numbers per second. In the same length of time it can perform 79 multiplications or 65 divisions of five-digit numbers. And this 1,400-tube general-purpose digital computer reads problem data from punched cards at a constant rate of 1,000 cards a minute. It even has a memory panel to recall

early computations.

There are electronic marvels for more prosaic business, too, in the IBM plant. There is, for instance, a proof machine which IBM leases—but does not sell—to banks, department stores and other business houses.

New Business Machines

The 1,000-pound proof machine lists, proves and endorses checks simultaneously. Scientifically designed to reduce operator efforts to a minimum, it is made in varied capacities to meet the proof and distribution needs of a business. One New York City bank, which uses the IBM proof machine, averages more than 302,000 items daily over an entire year.

Remington Rand also has been accelerating its activities in the field of electronics as applied to business machines and a number of projects are rapidly nearing completion. New devices which improved its products have been developed and put into manufacture.

Remington Rand recently acquired all the outstanding capital stock of Engineering Research Associates, Inc. of St. Paul. Among the important developments of ERA is a digital electronic computer

Statistical Data on Electronics and Television Companies

COMPANIES SPECIALIZING IN ELECTRONICS

	1951					Total Assets					
	Net Sales (Millions)	Net Per Share	Net Profit Margin %	1st Half 1952 Net Per Share	Net(*) Working Capital (Millions)	1941 (Millions)	1951 (Millions)	Indicated Current Div.	Recent Price	Yield %	COMMENTS
Admiral Corp.	$185.9	$4.97	5.1%	$1.31	$27.3	$ 11.9[5]	$ 68.7	$1.00	31¾	3.1%	Has had amazing growth since the advent of TV and is one of three leaders. Makes wide range of electric appliances.
Avco Mfg.	286.5	1.10	3.5	.38	87.9	26.3	167.4	.60	7⅛	8.4	Vast military backlog, much of it electronic. Makes wide variety of consumer goods, such as radio, TV and appliances and owns radio stations.
Bendix Aviation	340.5	5.58	3.4	4.88[1]	76.7	101.6	209.5	3.00	53½	5.6	Prominent in radio communication and navigation systems, radar equipment and in guided missiles, rockets and pilotless aircraft.
Cornell-Dubilier Electric	33.0	3.37	5.0	2.25[1]	9.9	4.1	17.5	1.20[6]	19¼	6.2	Major maker of fixed electric condensers and power vibrators, used in nearly all types of electric, radio and electronic fields.
DuMont(Allen B.)Labs. "A"	50.5	d. .11	d 1.1	d .001[2]	14.1	.8	34.1	.25[7]	16⅜	1.5	A leader in manufacture of TV sets, tubes and TV station equipment. Military backlog near $100 million.
Hazeltine Corp.	6.9	2.30	23.3	1.59	8.2	2.8	25.0	1.00	25	4.00	Largely a patent-owning firm. Electronic equipment for marine and air navigation and research and engineering work in TV and radio make it important factor.
Magnavox Co.	44.1	3.01	5.0	1.40[3]	8.0	1.2	17.2	1.50	19⅜	7.7	Large military backlog in radio and radar. Makes commercially high-price TV sets, loudspeakers, electrolytic capacitors and similar components.
Motorola	135.2	4.15	5.3	1.78	29.0	12.9[4]	61.8	1.50	41¾	3.6	One of Big 4 makers of TV sets and important in auto and home radios, mobile communications and microwave and telemetering installations.
Olympic Radio & Telev.	14.4	1.11	2.9	d .09	2.7	2.6[5]	5.4	[8]	8⅛	....	Defense business in production stage. Vieing for lead in TV-radio-phonograph combination business. TV business soaring.
Philco Corp.	305.3	3.35	4.0	1.16	43.8	28.5	119.4	1.60	33	4.8	A top radio-TV-appliance maker and makes tubes, microwave, radar, missiles and allied gear. Military backlog huge and growing.
Raytheon Mfg.	89.6[8]	1.12[8]	2.4[8]	.84[9]	22.6	2.0	75.1[9]	......	11¼	....	Makes scores of electronic items, such as magnetrons, kylstrons and other types of tubes. Considerable facilities converted for military contracts.
Stromberg-Carlson	33.6	1.66	2.0	1.56	8.7	8.2	23.7	1.00	17¼	5.8	Maker of TV and radio sets, holds vital patents and has brought a producer of electronic carillons. Is also an old-line telecommunications concern.
Sylvania Elec. Prod.	202.8	4.19	4.1	1.48	69.4	14.1	150.9	2.00	37½	5.3	About half the business is in TV field, covering tubes for most part. Produces wide range of electronic devices—germanium and silicon diodes are typical.
Tung-Sol Electric	31.4	4.24	6.5	1.76	6.6	3.6	17.1	1.00	19¼	5.2	Makes electronic tubes for industry and defense. Both segments of business soaring.
Zenith Radio	110.0	10.91	4.8	2.71	20.7	10.7	50.2	3.00	80	3.7	Major maker of radio-TV sets and cathode ray tubes. Operates radio station. Special division created for defense work.

(*)—Latest Balance Sheet.
(d)—Deficit

1—9 months ended June 30, 1952.
2—24 weeks ended June 15, 1952.
3—9 months ended March 31, 1952.
4—1942.
5—1944.
6—Plus stock.
7—Paid in 1951; none paid thus far in 1952.
8—Paid 3% in stock; Directors 4/11/52 took no further dividend action.
9—Year ended May 31, 1952.
10—Year ended May 31, 1951.

capable of handling enormous amounts of data at high speed. ERA also has developed numerous devices in the field of magnetic recording, special communications equipment, self-recording instruments and a camera which permits continuous photographic recording in deeply-drilled holes.

The electronic department of General Electric Co., has envisaged a whole new electronic business, growing out of development of the transistor, which is described as "a potential successor to vacuum tubes."

Transistors are made of the chemical element, germanium. They are metallic in appearance and use no heated element, hence there is nothing to burn out and they can last "forever."

Germanium, in its refined state, is worth as much as gold. GE it is understood obtains all its germanium from Eagle-Picher Co. It is estimated that more than 99% of germanium is supplied to the electronics industry by Eagle-Picher.

Germanium is recovered as a by-product in the smelting and refining of zinc ores although substantial deposits of ore, "quite rich in germanium," are found in Africa and in the District of Columbia in this country. Twenty freight-car loads of zinc ore rock must be processed to recover a pound of germanium, it is calculated.

Development of the Resistor

As a consequence of the transistor development, one official has stated, "the giant digital computers, or magic brains, which now use several thousand vacuum tubes and occupy a large-size room, can conceivably become small enough and, incidentally, reliable enough to apply to every-day business and industrial problems as we now apply comptometers."

In military electronics, the simplicity and ruggedness of the transistor will have a direct effect on all equipment, especially that which is airborne. In the telephone business it will become "entirely practical" to build amplifiers for use on cables at the bottom of the sea.

A scramble for patents in the transistor field is on with the Bell Laboratories of American Telephone & Telegraph Co. and GE apparently leading the rush.

An even sharper insight to the electronics industry and its impact on our society was given about the same time by the president of GE. He has stated, that within the next two years the Southeast will become a major center of GE operations, with more than 13,000 employees and a $50 million annual payroll.

It is predicted that 53 million television sets eventually will be in use in this country and some 2,000 stations eventually will be on the air compared with the present 110.

To cite just a small segment of the electronics business, GE, right now, is engaged in a race with Du Mont and RCA to equip newly-formed companies, which also are in a rush to get on the air with the new TV stations approved by the Federal Communication Commission.

Of the more than 700 applicants in quest of stations, more than half have deposits for RCA equipment, nearly one-fourth have deposits with GE and close behind in the third spot is Du Mont. Federal Telecommunications Laboratories, a subsidiary of International Telephone & Telegraph Corp., is getting into the race, too. Officials of that company expect to build 30 stations in the next 12 months.

Growth of the Electronics Industry

Industry leaders estimate the cost of erecting a TV station is $175,000 to $500,000, although a GE spokesman says "the sky (*Please turn to page* 90)

Major Companies With Diversification In Electronics

	1951 Net Sales (Millions)	1951 Net Per Share	1951 Net Profit Margin %	1st Half 1952 Net Per Share	Net(*) Working Capital (Millions)	Total Assets 1941 (Millions)	Total Assets 1951 (Millions)	Indicated Current Div.	Recent Price	Yield %	COMMENTS
Amer. Tel. & Tel.	$3.639.4	$11.00	10.0%	$5.15	$87.1	$5.893.7	$12.774.2	$9.00	153¼	5.8%	Coaxial cables and radio relays carry TV programs. Its subsidiaries lead in electronics field and transistor patents.
General Electric	2.319.3	4.79	5.9	1.98	352.4	632.8	1.459.8	3.00	62½	4.8	A giant in the industry and comes close to being an across-the-board manufacturer. Much of its scientific skill busy in atomic energy program.
Int. Business Mach.	266.7	9.15	10.45	4.57	45.0	97.4	394.1	4.00[2]	213	1.8	Top maker of electrically-operated machines for business. Bulks large in military's plan for electronic computers and magic-brain type gear.
Int. Tel. & Tel.	255.2	2.60	7.0	1.35	136.5	421.5	609.7	.85	18¾	4.5	Makes wide range of products for TV industry. It coordinates activities of numerous associated companies and is important electronics supplier to U. S.
Radio Corp. of Amer.	596.7	2.02	5.2	.70	172.7	134.4	370.2	1.00	28⅛	3.5	This GM of the electronics industry covers more phases of the electronics business than any other. Business at record levels.
Remington Rand	187.4	2.87	7.4	.59[1]	59.4	47.4	159.4	1.00[2]	18¾	5.3	Makes electronic computers and a TV system for inter-plant sending of pictures and records. Owns TV color patents.
Westinghouse Electric	1.240.8	4.03	5.2	1.95	455.2	361.5	1.004.3	2.00	41¼	4.8	Second largest in electrical field, its electronic devices, commercial and military, make important contribution to over-all earnings.

(*)—Latest Balance Sheet. [1]—Quarter ended June 30, 1952. [2]—Plus stock.

Five Medium Priced Growth Stocks

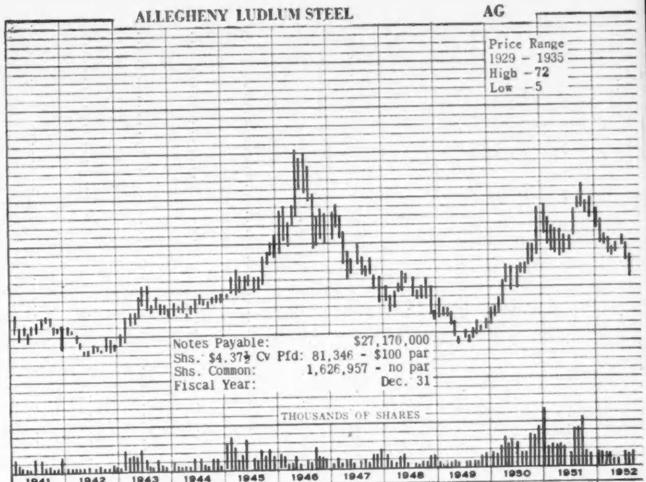
By OUR STAFF

Like the Crusaders in search of the Holy Grail, foresighted investors are constantly in search of growth stocks. Unfortunately, issues that belong to this classification are not so tagged for all who can may read. Nevertheless, there are standard measurements by which growth stocks may be recognized. They apply to companies having established products with established, diversified markets, and by reason of improved old products and the addition of new ones furnish reasonable assurance that they will continue to expand well into the future.

But again unfortunately, though the investor is in possession of these facts, his judgment of a stock is often warped by the issue's market action. He may be convinced that the stock has growth potentials but he will shy away from it because price trends are not steadily upward. He recalls, perhaps, the movement of some speculative issue which caught the stock-buying public's fancy and zoomed skyward. Growth stocks usually follow a different market pattern. This may be a law of nature under which that which grows slowly, grows solidly, and bears much fruit.

As a matter of fact, growth stocks seldom have spectacular price movements, nor do they maintain a steady upward trend. They will advance and, then, invariably enter into a resting period, quite frequently reacting and sometimes losing much of their latest price gains. Such market swings have nothing to do with company growth. They may, however, confuse the judgment of the investor who may give up on the stock if he already owns it, only to miss the opportunity as the stock moves to higher levels, a movement sometimes imperceptible. As we have inferred, growth stocks generally move slowly, marketwise and should be purchased only with long-range growth in mind.

In presenting on this and adjoining pages, the five issues which, in our judgment, represent attractive medium priced growth stocks, we desire to point out that our recommendations are from the standpoint of long range investments. To investors interested in acquiring issues such as these, we suggest, that they employ, say, one-third of available funds for purchases now, adding to their holdings later when market conditions warrant.



1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
3.86	3.13	2.91	2.70	2.68	5.12	4.66	5.05	1.15	7.09	5.40	
2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50	2.50	
12.5	14.6	15.1	13.9	20.9	22.0	20.8	29.9	21.9	30.1	35.4	Wkg.Cap

ALLEGHENY LUDLUM STEEL CORPORATION

BUSINESS: Directly or through subsidiaries, the company is one of the leading producers of stainless steel in every shape and form, and through research and development of products is the principal producer of high alloy steels of major importance to military and civilian needs. Other interests include 50% ownership of Titanium Metals Corp., now in the initial stage of producing Titanium—the new metal.

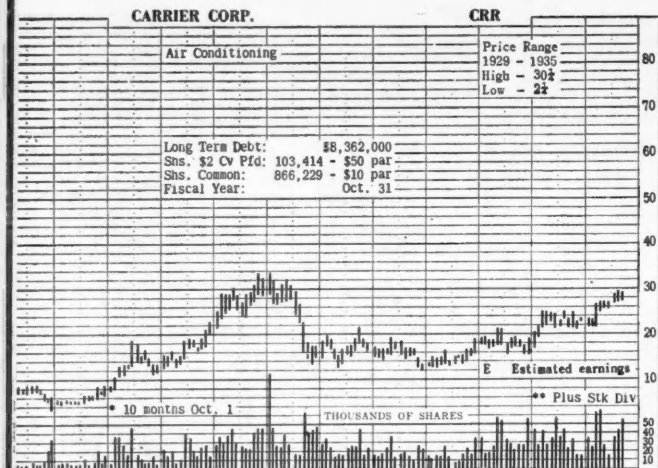
OUTLOOK: Measured by sales volume, stainless steel is the principal product. It is conceivable that eventually titanium metal may outrank it. Production at the $150 million Nevada plant is already under way, output being close to 10 ingot tons a day. Titanium, with the appearance of platinum, half the weight of steel, is impervious to atmospheric corrosion, believed to be the most resistant of all metals to sea water, and has a tremendous resistance to impact. Its qualities indicate that it has unlimited possibilities, contributing substantially to future sales of the company which have grown from $54.7 million in 1940 to $228.7 million in 1951. Among other products is silicon steel, used largely by makers of industrial and other electrical equipment, and household and other electrical appliances. Electrical alloys, many of which were developed in the company's laboratories, and of which AL is the principal producer, are essential in the production of electronic devices and other electrical equipment, including radio, television and radar. High temperature alloys, also products of AL's research work, are capable of standing the stress and strain at temperatures up to 1,500 degrees F., and have encountered a steadily rising demand from jet airplane engine builders. Other present and future applications of these alloys are in turbines for powering electrical generators, railway locomotives and other heavy duty work. The history of the company has been one of growth, physically and financially. It seems reasonable to believe this expansion will be equalled and perhaps exceeded in the future.

DIVIDENDS: The company or its principal predecessor, except for 1932 and 1933, has paid dividends since 1905. The current rate is $2.50 annually.

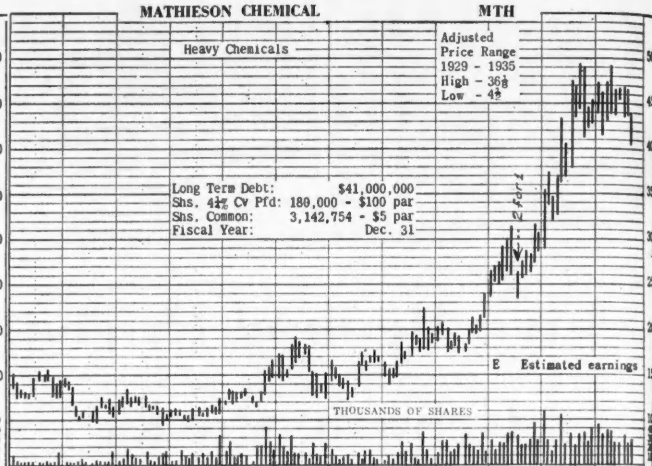
MARKET ACTION: Recent price of 35, compares with a 1951-52 price range of High—52⅛, Low—34⅛. At current price the yield is $7.1%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 2,318	$ 15,691	+$ 13,373
Receivables, Net	9,486	16,389	+ 6,903
Inventories	16,378	31,674	+ 15,296
Other Current Assets	005	293	+ 288
TOTAL CURRENT ASSETS	28,187	64,047	+ 35,860
Net Property	17,605	59,446	+ 41,841
Other Assets and Investments	196	2,515	+ 2,319
Miscellaneous Assets	2,093	088	— 2,005
TOTAL ASSETS	$ 48,081	$126,096	+$ 78,015
LIABILITIES			
Notes & Accounts Payable	$ 4,027	$ 10,995	+$ 6,968
Accruals	2,564	4,925	+ 2,361
Accrued Taxes	6,945	12,660	+ 5,715
TOTAL CURRENT LIABILITIES	13,536	28,580	+ 15,044
Reserves	1,242	1,029	— 213
Other Liabilities	572	1,076	+ 504
Long Term Debt	.....	22,170	+ 22,170
Preferred Stock	2,839	8,135	+ 5,296
Common Stock	7,883	10,170	+ 2,287
Surplus	22,009	54,936	+ 32,927
TOTAL LIABILITIES	$ 48,081	$126,096	+$ 78,015
WORKING CAPITAL	$ 14,651	$ 35,467	+$ 20,816
CURRENT RATIO	2.1	2.2	+ .1



1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	
2.36	3.04	3.11	2.61	.95	.29	3.44	4.19	2.72	4.54	3.88	E 3.75	EARN.
-	-	-	-	-	-	-	.25	1.00	1.00	**1.00		DIV.
4.1	4.4	4.9	5.4	7.4	11.2	14.4	17.1	17.3	18.1	23.2	Wkg Cap $ Mil	



1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	
.95	.63	.67	.70	.60	1.13	1.67	2.81	2.57	3.32	3.56	E 3.50	EARN.
.87½	.56¼	.50	.50	.50	.62½	.81¼	.87½	1.06¼	1.50	1.70		DIV.
4.4	5.5	7.2	9.1	10.3	7.7	.4	5.2	16.5	17.4	30.1	Wkg Cap $ Mil	

CARRIER CORPORATION

BUSINESS: The pioneer in air conditioning, Carrier today is one of the leaders in the designing and manufacturing of air conditioning equipment for industry, office and other buildings, railroad cars, trailer trucks, and homes.

OUTLOOK: It is somewhat paradoxical that in this age of atomic energy, electronics and other wonders, air conditioning of places where man works or lives has only just begun to develop on a large scale. Since Carrier designed the first complete air conditioning system 50 years ago, diversified industries in practically every field now operate under conditions where not only temperature but humidity, air circulation and ventilation and air cleanliness are controlled, and the list is constantly widening. It is only in recent years that the trend toward air conditioning hospitals, office buildings and hotels has developed and now there are unmistakable signs that air conditioning is developing at a fast pace in residential buildings and private homes. The Carrier Corp., which has expanded since its start to where its Engineering Division is made up of a staff of 200 engineers and technicians, operates on a global basis with a diversified line of equipment ranging from systems capable of supplying temperatures as low as 150 degrees below zero to "Weathermakers" in sizes to fit the requirements of large buildings and small homes, as well as small air conditioning units for single rooms. How these developments affect Carrier's earnings is already indicated by its showing for the 12 months to July 31, 1952, during which earnings on the common stock equalled $5.64 a share, compared with $3.31 a share in the previous 12 months. While part of this showing is attributable to a substantial volume of defense business, sales of "Weathermaker" units were more than double last year's and single-room unit sales in the first half of 1952 exceeded those for the entire 1951 year. With an eye to the future, Carrier is proceeding to expand plant facilities which will give it the largest and most modern equipment in the industry.

DIVIDENDS: Payments of 25 cents quarterly begun in 1948, were maintained through 1951, when 10% in stock also was paid. The present rate is 35 cents quarterly.

MARKET ACTION: Recent price of 29¼, compares with a 1951-52 price range of High—29¾, Low—16⅝. At current price the yield is 4.7%.

COMPARATIVE BALANCE SHEET ITEMS

	October 31 1942	June 30 1952 (000 omitted)	Change
ASSETS			
Cash	$ 541	$ 5,276	+$ 4,735
Due from Govt.	944	11,971	+ 11,027
Receivables, Net	3,991	18,142	+ 14,151
Inventories	4,283	23,543	+ 19,260
TOTAL CURRENT ASSETS	9,759	58,932	+ 49,173
Net Property	1,572	15,204	+ 15,632
Investments	041	614	+ 573
Other Assets	415	1,820	+ 1,405
TOTAL ASSETS	$ 11,787	$ 76,570	+$ 64,783
LIABILITIES			
Notes Payable	$ —	$ 15,843	+$ 15,843
Accounts Payable	1,463	8,120	+ 6,657
Accruals	2,138	7,221	+ 5,083
Accrued Taxes	1,711	2,529	+ 818
TOTAL CURRENT LIABILITIES	5,312	33,713	+ 28,401
Reserves	—	449	+ 449
Long Term Debt	1,658	8,121	+ 6,463
Preferred Stock	—	5,111	— 5,111
Common Stock	406	8,662	+ 8,256
Surplus	4,411	20,514	+ 16,103
TOTAL LIABILITIES	$ 11,787	$ 76,570	+$ 64,783
WORKING CAPITAL	$ 4,447	$ 25,219	+$ 20,772
CURRENT RATIO	1.8	1.7	— .1

MATHIESON CHEMICAL CORPORATION

BUSINESS: Long an important producer of caustic soda and other alkalies, Mathieson, in late years has been expanding rapidly in the field of organic chemicals and within recent months has augmented this growth by acquiring E. R. Squibb & Sons, producers of pharmaceutical, antibiotic and other drugs and medicinal products.

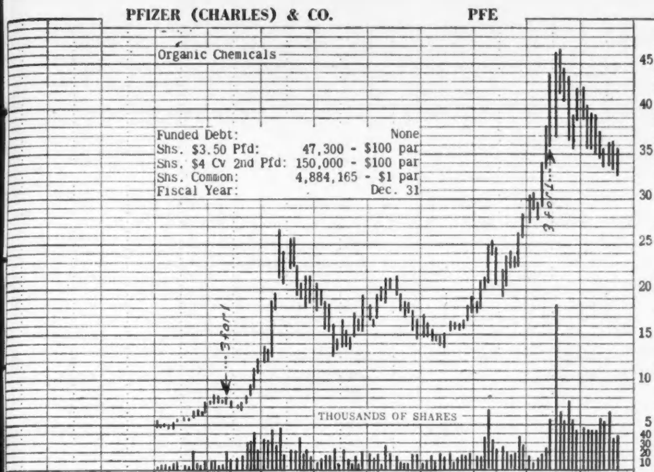
OUTLOOK: There is probably no field of industrial activity that is more dynamic than that of chemistry, the products of which have a bearing on every phase of human existence. Moreover, the industry, as great as it is today, is constantly expanding and there appears to be no limitation to further growth. This is emphasized by Mathieson's expansion in the 10 years to 1951. In that time net sales have increased from $16.3 million in 1942 to $91.2 million last year. Net income in 1942 was $1.2 million; by 1951, it had mounted to $9.6 million, and after making an adjustment for the 2-for-1 common stock split in 1950, per share earnings of $3.02 in 1951 were just short of being 5 times as great as those in the earlier year. Yet this increase does not fully reflect the company's growth, particularly in 1951, when it acquired, by merger, the Mathieson Hydrocarbon Chemical Corp., producing a number of important chemical derivatives of ethane and liquefied petroleum gases, such as, butane, iso-butane and propane. In the same year, it took over the largest ammonia plant in the country with a capacity of over 200,000 tons of ammonia or methanol annually. Also in 1951, it began operations at its new and modern electrolytic chlorine plant, capable of turning out 200 tons a day of chlorine and rayon-grade caustic soda with this output being augmented by the new McIntosh, Ala., plant scheduled to go into operation some time this year. Neither do the figures embrace operating results of the Squibb company, sales of which, in its fiscal year to June 30, last, totaled $100.1 million. These are current developments which Mathieson considers to be but the prologue of tomorrow, its aim being to keep pace with the needs of industry, agriculture and the public's needs.

DIVIDENDS: Payments on the common stock have been uninterrupted since 1926. Current payments are 50 cents a share quarterly.

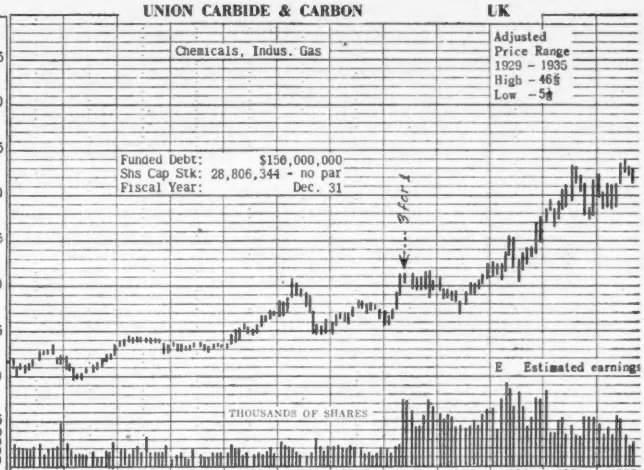
MARKET ACTION: Recent price of 42, compares with a 1951-52 price range of High—49⅝, Low—20. At current price the yield is 4.7%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	December 31 1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 3,737	$ 16,143	+$ 12,406
Receivables, Net	1,683	11,661	+ 9,978
Inventories	2,405	16,479	+ 14,074
TOTAL CURRENT ASSETS	7,825	44,283	+ 36,458
Net Property	17,051	87,624	+ 70,573
Investments	940	8,103	+ 7,163
Other Assets	1,108	2,167	+ 1,059
TOTAL ASSETS	$ 26,924	$142,177	+$115,253
LIABILITIES			
Notes Payable	$ —	$ 1,000	+$ 1,000
Accounts Payable & Accruals	595	6,379	+ 5,784
Accrued Taxes	1,698	6,766	+ 5,068
TOTAL CURRENT LIABILITIES	2,293	14,145	+ 11,852
Reserves	767	2,338	+ 1,571
Other Liabilities	325	—	— 325
Long Term Debt	—	41,000	+ 41,000
Preferred Stock	2,378	18,000	+ 15,622
Common Stock	15,464	15,713	+ 249
Surplus	5,697	50,981	+ 284
TOTAL LIABILITIES	$ 26,924	$142,177	+$115,253
WORKING CAPITAL	$ 5,532	$ 30,138	+$ 24,606
CURRENT RATIO	3.5	3.1	— .4



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	.25	.28	.40	.52	.41	2.39	2.09	2.12	1.73	2.20	2.41	
DIV.	.14½	.18⅞	.18⅓	.22½	.28⅞	1.23⅓	.91⅔	.91⅔	.91⅔	.91⅔	.98⅓	
Wkg Cap $ Mil	-	5.2	5.9	6.2	9.1	10.9	18.1	20.2	21.3	24.0	51.3	



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	1.51	1.11	1.22	1.24	1.36	2.03	2.66	3.55	3.20	4.30	3.60	E 3.75
DIV.	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.66⅔	2.00	2.50	3.50	
Wkg Cap $ Mil	88.8	95.9	132.6	162.0	188.8	176.5	275.7	231.0	223.9	251.5	232.5	

CHAS. PFIZER & CO., INC.

BUSINESS: Long the largest producer of citric and other organic acids, this 103 year old company has rapidly gained a prominent position in the production of vitamins, fine chemicals, animal feed supplements, and in the manufacture of antibiotics, an ever widening field in which it already holds a commanding position.

OUTLOOK: Within a 10 year period to the end of 1951, Pfizer's net sales have grown from $11.3 million to $100.2 million, a gain of 787.5%. Net income for the common stock, in the same time, grew from $1.3 million to $11.8 million, a gain of 807.6%. This growth reflects the metamorphosis of the company from primarily a producer of organic acids to the largest producer of penicillin, expansion of its position as a leading supplier of bulk chemicals to manufacturers of medicinal and pharmaceutical products and the somewhat startling growth in the antibiotic field, including penicillin and 33 new products which it introduced in 1951. Among the latter is terramycin for use in the treatment of over 80 infectious diseases afflicting mankind and established as a valuable therapeutic agent for use in animals. Another important field of operations is the production of animal feed supplements containing antibiotics, vitamins, or both. In this group is Pfizer's trade-marked product, Terralac, brought out last year as a replacement for sow's milk and which is expected to cut the high mortality rate estimated at 20 million suckling pigs a year. To cope with growing demand, the company expended close to $12 million last year on new manufacturing and other facilities. Enlargement of the Groton, Conn., plant more than doubled the output potential for antibiotics and increased production capacity for citric and other organic acids by more than 50%. The Vigo plant in Indiana was expanded to where its output of animal feed supplements was more than doubled. Meanwhile, research activities continue apace looking toward the development of improved and new products.

DIVIDENDS: Since 1945 there have been two 3-for-1 splits of the common stock. Cash dividends are currently at a rate of 25 cents quarterly.

MARKET ACTION: Recent price of 32¾, compares with a 1951-52 price range of High—46⅝, Low—27⅞. At current price the yield is 3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	June 29 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 2,770	$ 32,510	+$ 29,740
Receivables, Net	961	9,195	+ 8,234
Inventories	4,799	37,869	+ 33,070
TOTAL CURRENT ASSETS	8,530	79,574	+ 71,044
Net Property	4,566	34,265	+ 29,699
Investments	735	1,466	+ 731
Other Assets	341	424	+ 083
TOTAL ASSETS	$ 14,172	$115,729	+$101,557
LIABILITIES			
Accounts Payable	$ 543	$ 2,054	+$ 1,511
Accruals	435	6,620	+ 6,185
Tax Reserve	2,319	20,347	+ 18,028
TOTAL CURRENT LIABILITIES	3,297	29,021	+ 25,724
Reserves	1,490	1,419	— 071
Preferred Stock	....	19,750	+ 19,750
Common Stock	500	4,405	+ 3,905
Surplus	8,885	61,134	+ 52,249
TOTAL LIABILITIES	$ 14,172	$115,729	+$101,557
WORKING CAPITAL	$ 5,233	$ 50,553	+$ 45,320
CURRENT RATIO	2.6	2.7	+ .1

UNION CARBIDE & CARBON CORPORATION

BUSINESS: Few other companies fill the basic needs of so many different branches of industry as does Union Carbide. Its products are numbered in the hundreds which when grouped include alloys and metals—electrodes, carbons and batteries—industrial gases and carbide—chemicals—plastics.

OUTLOOK: These are products of the company's 200 plants, factories, mines, mills and laboratories. They are the fruits of processes, most of which were developed in its research laboratories, processes that range between temperatures as high as 6,000 degrees Fahrenheit, to 300 degrees below zero and involve materials such as the lightest of gases that are invisible, tasteless and odorless, to metals of great atomic weight. Some of the products are taken from the air, others from water, natural gases, gases from petroleum and coal and nearly one-half of the earth's other elements. At its Electromet plants, the company produces more than 50 different alloys and metals. One of these is chromium which gives stainless steel its rust and corrosion resisting qualities. Another is Haynes Stellite, an alloy capable of meeting the severest conditions of corrosion, heat and wear, and used so extensively in cutting tools for some time and now proving the ideal material for tail cones and tail pipes of jet propelled airplanes. Many of Union Carbide's products do not reach the public eye. Some of them go into electrodes, fungicides, vitamins, rayon and other synthetic fibres, beer can linings, washable wall coverings, and more than 50% of the 250 million phonograph records produced in 1951. This is but a fraction of the story. A new chapter is in the making through the company's development of a process for producing chemicals from coal. The outlook for Union Carbide appears to be exceptionally satisfactory, with every prospect, barring extraneous developments of a major character, that net sales and net earnings should continue to mount in much the same ratio as they have in the past.

DIVIDENDS: Payments on the capital stock have been continuous since 1918. There have been two 3-for-1 splitups. The prevailing rate of payments is $2.50 annually.

MARKET ACTION: Recent price of 63½, compares with a 1951-52 price range of High—68, Low—53⅜. At current price the yield is 3.9%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	December 31 1951 (000 omitted)	Change
ASSETS			
Cash	$ 55,473	$111,284	+$ 55,811
Marketable Securities	13,495	85,794	+ 72,299
Receivables, Net	52,859	97,011	+ 44,152
Inventories	69,970	175,862	+ 105,892
TOTAL CURRENT ASSETS	191,797	469,951	+ 278,154
Net Property	202,062	478,052	+ 275,990
Investments	25,703	24,887	— 816
Other Assets	7,063	5,205	— 1,858
TOTAL ASSETS	$426,625	$978,095	+$551,470
LIABILITIES			
Accounts Payable	$ 15,188	$ 46,603	+$ 31,415
Accruals	13,110	14,651	+ 1,541
Accrued Taxes	67,583	176,116	+ 108,533
TOTAL CURRENT LIABILITIES	95,881	237,370	+ 141,489
Reserves	10,000	6,381	— 3,619
Other Liabilities	1,717	....	— 1,717
Long Term Debt	24,600	150,000	+ 125,400
Capital Stock	192,880	204,588	+ 11,708
Surplus	101,547	379,756	+ 278,209
TOTAL LIABILITIES	$426,625	$978,095	+$551,470
WORKING CAPITAL	$ 95,916	$232,581	+$136,665
CURRENT RATIO	2.0	2.0	....

Investment Audit of U.S. STEEL

By

GEORGE W. MATHIS

"Big Steel" is growing still bigger. The vast new Fairless Works, one of the largest industrial establishments in the world, will soon be adding its contribution to the nation's expanding productive capacity. Any study of the dominant producer in the industry must take into consideration the financial and economic aspects of the undertaking now nearing completion near Morrisville, Pa., across the Delaware River from Trenton. Here in the most modern steel making facilities ever constructed United States Steel Corporation is endeavoring to demonstrate how industry can preserve a reasonable profit margin in the face of rising wage rates and increasingly burdensome income taxes.

What the impact of this development is destined to mean puzzles investors. Some have pondered the threat of overproduction when the country's productive facilities are capable of turning out 120 million tons of ingots annually by late next year, a volume almost double that of the industry's pre-war rate. Whether excessive output might foster keen competition and narrow profit margins is a question that has bothered owners of steel shares. Labor has been concerned over the prospect that mechanization in new mills and obsolescence in older plants might seriously reduce the demand for workers. Economists contend that the profit incentive system is likely to bring about closing of high-cost operations when supply begins to exceed demand. Modern plants are likely to be efficient and highly competitive.

Uncertainty over the potential effect on earnings and dividends of U. S. Steel, chiefly as a result of its tremendous expansion, has contributed to the investing public's cautious attitude. "Big Steel" shares have fluctuated in a comparatively narrow range for many months, from slightly below to slightly above 40. The return of about 7½ percent on the $3 dividend, to which management appears committed, has been sufficiently attractive to appeal to investors in the position to assume normal risks, but speculative buying in anticipation of increased earnings and a higher dividend has been restricted. Potential buyers have been hesitant partly because of the possibility of additional financing in connection with the acquisition of new facilities. Although management has indicated that retention of earnings, together with normal building funds, would be sufficient to pay for the projects, some observers have felt the steady decline in working capital might necessitate temporary borrowing or the flotation of new issues.

New Financing Possible

Anxiety over the possible need for financing has been accentuated by the recent loss of sales occasioned by the steel strike. Despite the cushioning effect of reduced tax liabilities, earnings were seriously impaired through the summer by the costly shutdown of steel-making as well as coal and iron ore mining. Not only was income virtually stopped by the corporation's inability to make deliveries of finished steel, but heavy overhead expenses could not be significantly reduced. The stoppage also tended to raise certain operating costs upon resumption of production.

Before examining recent operating results in greater detail, it may be well to study a few facts and figures relating to the Fairless Works to gain a better understanding of what this project may mean in the coming years. Statistical information shed-

ding light on experiences of the past may be found in the accompanying tabulation. These figures will prove useful in appraising market potentialities of the shares.

The largest single project in the company's huge postwar expansion—stimulated by the Korean incident—the Fairless Works will be an integrated plant capable of producing 1.8 million tons of steel ingots annually together with a wide range of finished products. Construction was begun March 1, 1951, and operations are expected to be well advanced by the second anniversary next March. The first of two batteries of by-product coke ovens and the first of two blast furnaces were nearing completion recently. Buildings for sheet and tin plate facilities are about ready. Facilities are about ready for power generation. Actual production on a modest scale is anticipated before the end of the year. Docks on the Delaware River soon will be ready for receiving ore shipments from Venezuela or other off-shore sources.

Lower production costs are anticipated at the new plant, which is destined to expand the company's ingot capacity about 5 per cent. U. S. Steel had a capacity at the beginning of 1952 of approximately 34.6 million tons, representing 32 per cent of the nation's rated productive capacity of 108 million tons. The corporation's volume had been increased at that time by 2.6 million tons, or 8.1 per cent, over capacity at the outbreak of hostilities in Korea in June, 1950. Since January, 1946, right after the end of the war, capacity had been boosted more than 20 per cent by early 1952. With the completion of the Fairless Works, production will have been expanded almost 5 million tons, or more than 15 per cent. When it is considered that this enlargement comprises the most efficient equipment of the latest design one may appreciate the potentialities for cutting costs.

Large Expenditures for New Projects

Improvements are being undertaken in numerous other areas and large sums are being expended in development of additional sources of iron ore for decades to come. Altogether authorized projects still to be completed stood at $678 million at the beginning of the second quarter and probably approximate this figure today, inasmuch as rising labor costs tend to spur mechanization of operations. Expenditures on additions and replacements of facilities came to $352.4 million last year and may exceed this figure for 1952. With all this effort to enlarge production and overcome rising labor costs through greater man-hour productivity, profit margins have continued to decline, however, and management is confronted with the problem of earning a sufficient return on capital to attract additional funds for future growth.

Evidence suggesting that the corporation's management is cognizant of the danger stemming from the profit squeeze is found in the company's messages to stockholders. Commenting on this trend, Irving S. Olds, chairman until his recent retirement, remarked pointedly in the February issue of the U. S. Steel Quarterly":

"Stockholders and others concerned with the affairs of United States Steel and the economy of the nation can draw a picture of what is currently taking place in the steel industry by making an analysis of United States Steel's figures for the year 1951. Though its prices for steel products had remained virtually unchanged since the price advance on December 1, 1950—when steel prices went up to reflect the simultaneous increase in United States Steel's employment costs flowing from the general wage in-

Comparative Balance Sheet Items

ASSETS	December 31 1942	1951 (000 omitted)	Change
Cash	$ 198,666	$ 233,387	+$ 34,721
Marketable Securities	230,704	326,717	+ 96,013
Receivables, Net	157,784	252,784	+ 95,000
Inventories	319,616	399,832	+ 80,216
TOTAL CURRENT ASSETS	906,770	1,212,720	+ 305,950
Net Property	1,062,560	1,571,334	+ 508,774
Investments	30,743	19,779	— 10,964
Capital Expend. Fund	60,000	262,000	+ 202,000
Other Assets	63,362	74,845	+ 11,483
TOTAL ASSETS	$2,123,435	$3,140,678	+$1,017,243
LIABILITIES			
Current Accounts & Payrolls	$ 115,490	$ 339,703	+$ 224,213
Accrued Taxes	235,766	509,773	+ 274,007
Bonds, Mortgages Due	12,214	2,439	— 9,775
Accruals	20,022	25,887	+ 5,865
TOTAL CURRENT LIABILITIES	383,492	877,802	+ 494,310
Other Liabilities	20,568	....	— 20,568
Reserves	154,355	112,018	— 42,337
Long Term Debt	139,695	54,880	— 84,815
Preferred Stock	360,281	360,281	....
Common Stock	652,744	870,325	+ 217,581
Surplus	412,300	865,372	+ 453,072
TOTAL LIABILITIES	$2,123,435	$3,140,678	+$1,017,243
WORKING CAPITAL	$ 523,278	$ 334,918	—$ 188,360
CURRENT RATIO	2.3	1.4	— .9

crease which became effective on December 1, 1950—United States Steel's sales for the year 1951 aggregated $3,524,978,527, the largest amount in the history of the corporation. This was an increase of 19.2 per cent over total sales of $2,956,406,146 in 1950. The average annual steel operating rate of United States Steel rose from 98.2 percent in 1950 to the record high rate of 101.3 per cent in 1951, as above mentioned.

"Despite the new high records achieved in steel production, in steel shipments, and in revenue from sales, United States Steel's reported profit for the year 1951 was down $31,510,940, or 14.6 per cent lower than its profit for the year 1950. Expressed as a percentage of return on sales—which we regard as the most accurate way of measuring the extent of the profits of United States Steel, as it involves a comparison of current dollar figures, where the dollars compared have the same purchasing value—the profit of United States Steel for 1951 was a return of only 5.2 per cent on its record sales for the year. This return on sales was approximately 29 per cent lower than in 1950, when United States Steel's profit of $215,464,142 was the equivalent of a return of 7.3 per cent on sales. The return on sales for 1951, namely 5.2 per cent, was the same rate as in 1948, being at the lowest level ever experienced by United States Steel in any year of high steel operations when this country was not engaged in all-out war. United States Steel's profit per share of common stock fell from $7.29 in 1950 to $6.08 in 1951."

Squeeze on Profits

In the company's annual report attention also is drawn to this squeeze of income. Here attention is called to the low return in 1951 as compared with 1950 as well as to a more dramatic comparison with the average return of 13.9 per cent in peace years prior to 1941 when the average rate of operations was 89 per cent. "It is noteworthy," management observes in the annual report, "that in 1951 U. S. Steel in terms of dollars of constant buying power earned less than it did in 1940 and this despite a 64 per cent increase in its shipments. Thus, the owners of the business who provided the facilities that made possible shipments of 64 per cent more steel were squeezed out of any real income at all on that additional volume.

"There is no reason for people to venture their savings for job-creating tools of production except as they believe they will not be arbitrarily and forcefully prevented from earning competitive profits in so doing," Mr. Olds, the chairman, continues in his report to stockholders. "Profit squeezing may be popular among the short-sighted, but it is exceedingly dangerous to the nation's economy. It discourages new venture capital and thus tends to kill enterprise at its growth edge. There is no more certain, more subtle way eventually to substitute some sort of socialism for voluntary and competitive production in America than to eliminate the prospect of profit."

Effect of Strike on Earnings

This is the sort of philosophy guiding the management of U. S. Steel in its impressive expansion aimed at keeping pace with technological improvements and in endeavoring to combat the debilitating effect of rising wage costs. The industry's determined effort to avert another increase in wages this year proved unavailing in the face of organized labor's unyielding attitude. After a shutdown of more than two months, bringing about a loss in production of substantial tonnages, a settlement was reached which has contributed to a spreading pressure for higher wages in other industries. As a result of the shutdown, United States Steel's production and earnings appear likely to decline for 1952 moderately under last year's record volume of shipments. For the first six months sales dropped to $1,461 million from $1,726 million in the same period last year. Net profit declined to $2.04 a share from $3.61 in the same period of 1951.

Turning now to a closer inspection of the corporation and its position in a major industry, we must conclude that as the industry goes, so goes U. S. Steel. The corporation's capacity is approximately one-third that of the industry, so that any contraction in demand could not avoid having an impact on operations of the major producer. Nevertheless, management has taken steps to solidify its competitive position through research and development of new products as well as by means of installation of the latest and most modern (*Please turn to page* 90)

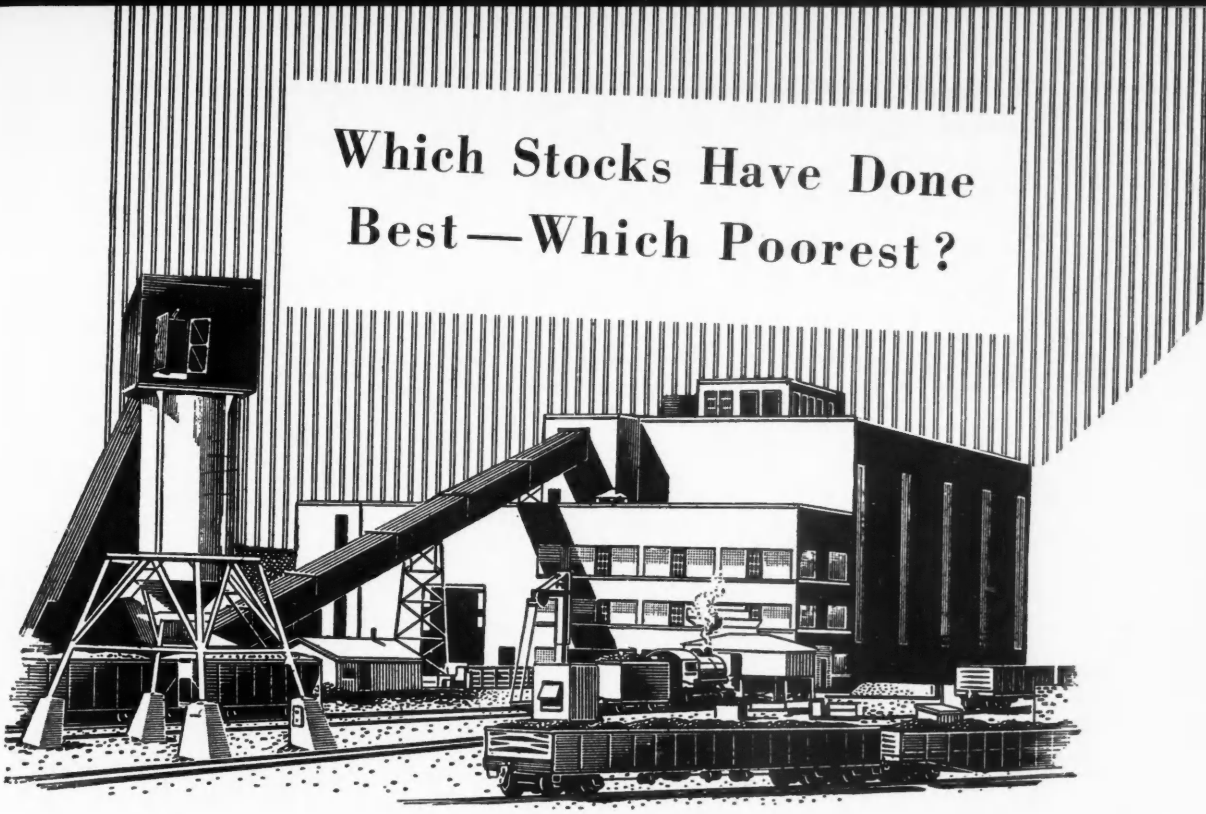
Long Term Operating and Earnings Record

	Sales & Revenues (Millions)	Operating Income (Millions)	Operating Margin	Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range
1952 (First 6 months)	$1,460.9	....	......	$ 43.0	$ 65.7	4.5%	$2.04	$2.25[1]	....	42¼-37⅜[2]
1951	3,509.6	$577.2	16.5%	407.1	184.3	5.2	6.10	3.00	8.8%	47¾-37⅝
1950	2,947.3	445.1	15.1	239.1	215.4	7.3	7.29	3.45	10.6	42⅝-25¾
1949	2,293.2	282.5	12.3	129.4	165.9	7.2	5.39	2.25	8.6	26⅝-20¼
1948	2,473.7	231.4	9.3	112.6	129.6	5.2	4.00	1.66	7.0	29⅛-22½
1947	2,116.5	213.8	10.1	93.7	127.0	6.0	3.90	1.66	8.4	26⅝-20½
1946	1,485.6	85.6	5.7	32.6	88.6	5.9	2.41	1.33	6.0	32⅜-21¾
1945	1,740.4	84.0	4.8	30.2	58.0	3.3	1.25	1.33	4.0	28½-19½
1944	2,082.0	153.2	7.3	66.1	60.7	2.9	1.36	1.33	4.2	21¼-16¾
1943	1,973.1	183.6	9.3	90.0	63.4	3.2	1.43	1.33	4.4	19¾-15¾
1942	1,863.1	261.4	14.0	159.1	71.8	3.8	1.76	1.33	5.0	18⅝-14¾
10 Year Average 1942-1951	$2,248.4	$251.7	10.4%	$135.9	$116.4	5.0%	$3.48	$1.86	6.7%	47¾-14¾

1—To September 10, 1952.

2—To September 23, 1952.

Which Stocks Have Done Best—Which Poorest?



By J. C. CLIFFORD

Within the past year, corporate earnings have shown markedly divergent trends, not only on the basis of comparison of one industry with another, but between companies within the same industry. This development is in contrast to conditions existing in 1950, when the course of earnings for practically all industries and companies making up each group was universally upward. This reflected the great increase in production and sales following the outbreak of the Korean war.

In that period, even the marginal companies were producing in substantial volume, and, in the absence of competition, were able to show earnings large enough to sustain more or less liberal dividend distributions. Since then, however, conditions have gradually changed. There are indications that the upward curve of earnings for some companies is beginning to flatten out, while for a number of others the curve has actually reversed its course, heading in a downward direction. This has already been made manifest through the earnings reports of hundreds of corporations issued in the past six to nine months. Some show astonishingly poor results for a period when business, in general, throughout the nation has continued on a fairly high level. On the other hand, earnings of some companies have held up well and in some instances have gained over earlier periods.

Growing Competition for Sales

The over-all explanation for these divergent trends is that industry's markets have been undergoing a change. Where, in 1950, most manufacturers were hard-pressed to meet demand, they are now confronted with a situation in which consumers, if not deferring purchases, are buying more carefully. The interpretation of this situation is that the public is not buying so generously and has developed a more sensitive attitude toward prices, a state of mind which is reflected in a lower sales volume for all industrial groups.

When sales are running at a high level and consumers are not giving too much thought to price, it is generally not difficult for a low profit-margin company to show a good earnings rate. As business begins to shrink, however, the typical low profit company invariably undergoes rapid changes which carry it down from the level of satisfactory earnings to below the break-even point. Companies of this calibre are dependent upon volume production to make good showings, and for a number of them even a slight drop in sales can wreak havoc with net earnings. Conversely, corporations in the same industry, having a normally high profit margin, are generally able to sustain earnings on a comparably high level despite a moderate decline in volume.

This is illustrated in the accompanying table which sets forth, among other data, companies which (1) have done much better, in the first half of this year than other corporations in their particular groups; and, (2), those which have done much poorer. The list, of course, is not all-inclusive.

Companies, for example, not included in the table which have done better in the first half of 1952, compared with the corresponding period of last year are: Bendix Aviation, United Aircraft, Lone Star Cement, Allis-Chalmers, Grayson-Robinson Stores, Cincinnati Milling & Machine, Monarch Machine Tool, Standard Oil of New Jersey, and Standard Oil of Ohio. Included among those which made a poorer showing are: Briggs Manufacturing, Certainteed Products, Crane Co., Rohn & Haas, Gimbel Bros., Lambert & Co., American (*Please turn to page* 95)

Companies Showing Divergent Earnings Trends in 18 Groups

	Net Per Share —1st 6 Months— 1952	1951	Net Profit Margin 1952 %	1951 %	Indicated Current Div.	Recent Price	Yield %	COMMENTS
AIRCRAFT								
(a) Boeing Airplane	$3.62	$2.85	1.9%	1.8%	$2.65[2]	36	7.3%	With backlog of $1.2 billion likely to be increased and military output now on fixed price basis outlook is for higher earnings this year and next.
(b) Lockheed Aircraft	1.15	1.66	1.3	3.9	1.20	21⅝	5.5	Build-up expenses due to re-scheduling cut first-half's net. Has backlog of $1 billion but strike will hold 1952 net down. 1953 outlook favorable.
AIRLINES								
(a) United Air Lines	1.43	1.21	5.2	4.6	1.00	28	3.5	Rising traffic volume and added facilities should offset higher costs. Good earnings indicated for balance of this year and for 1953.
(b) Capital Airlines	(d).11	.92	(d)4.6	3.8	......	11⅛	....	Severe competition and lack of long haul traffic account for lack of earning power. Saving factor would be merger with one of the major air lines.
AUTOMOBILES								
(a) Chrysler	5.02	4.11	3.4	2.5	6.00	83⅛	7.2	Favorable operations for remainder of year, barring material shortage. Company excellent earner, but future sales competition anticipated.
(a) Hudson Motor	2.16	1.02	3.6	1.4	.75	15⅝	4.8	Aided by good first-half results, expect higher full-year net. Look for keener 1953 competition.
(b) Packard Motor	.21	.32	3.2	4.4	.15[3]	4½	3.3	Unimpressive record, intensified competition and narrower margins dim foreseeable prospects. Earnings appear in downtrend.
AUTO EQUIPMENT								
(a) Clark Equipment	4.92	3.74	4.4	4.1	3.00	53	5.6	Benefitting from good automotive business and wide industrial need for materials handling equipment. High earnings rate should continue into 1953.
(b) Electric Storage Battery	1.01	2.85	1.8	4.4	2.00	37⅝	5.3	Competition cutting sales in replacement market and limited profit margins on defense work indicate lower net this year.
(b) Reynolds Spring	(d).43	1.05	(d)2.0	2.9	.15[3]	7¼	2.1	Shifts to defense work and production of new type spring account for loss prior to second quarter. Look for improvement in final quarter and early 1953.
BUILDING MATERIALS & EQUIPMENT								
(a) Johns-Manville	3.77	3.98	10.2	10.4	4.25	75	5.6	Despite higher materials and labor costs, held net close to 1951 first half level. Favorable outlook for second half and into 1953.
(b) American Radiator & S.S.	.50	1.20	4.1	7.5	1.25	14½	8.6	Some recovery in domestic sales and further gain in foreign business may improve 1952 net. Lower net profit margins a continuing adverse factor.
(b) Celotex Corp.	.03[1]	1.79[1]	.7	6.4	1.50	16½	9.1	Allowing for strike in April quarter, sales continue downtrend. Narrow profit margins work against immediate earnings recovery.
CHEMICALS								
(a) Allied Chemical & Dye	2.33	2.31	8.5	8.0	3.00	74⅜	4.0	Earnings curve of this growth company may flatten out temporarily, but research and new products development should bring resumption of uptrend.
(b) Commercial Solvents	.06	1.18	.7	9.7	1.00	19⅝	5.1	1952 probably a lost year. By 1953 will have new ammonia plant operating and perhaps a firmer footing in its new drug fields.
(b) Pittsburgh Coke & Chemical	.98	2.81	5.0	6.5	1.25	25	5.0	Sales decline aggravated by steel strike, plus higher costs produced poor half year showing. Look for some recovery.
DRUGS								
(a) Parke, Davis & Co.	2.00	1.78	13.8	12.7	1.90	44	4.3	Competition may force price cuts for some of this leading company's products, but research and new products should continue to fortify earnings position.
(b) Bristol Myers	1.09	1.96	5.6	7.9	1.60	27	5.9	Lower sales and higher costs account for earnings shrinkage. Final half-year may show some improvement which could carry into 1953.
ELECTRICAL EQUIPMENT								
(a) Sperry Corp.	3.23	2.57	3.6	4.9	2.00	37¾	5.3	Heavy defense contracts and good commercial position indicates high 1952 earnings extending into 1953.
(a) Weston Elec. Instrument	3.40	1.72	3.9	3.0	2.00	39	5.1	Sustained industrial aided by armament demands indicates near-record earnings for this year and good 1953 year.
(b) Sunbeam Corp.	.90	2.52	6.1	12.2	1.00	31	3.2	Higher costs and lower sales account for earnings decline. May do better in final half, but look for no material gain.
FOODS								
(a) National Biscuit	1.25	1.10	5.1	4.7	2.00	32¼	6.0	First half earnings helped by widened profit margins which should continue their influence under sustained consumer demand.

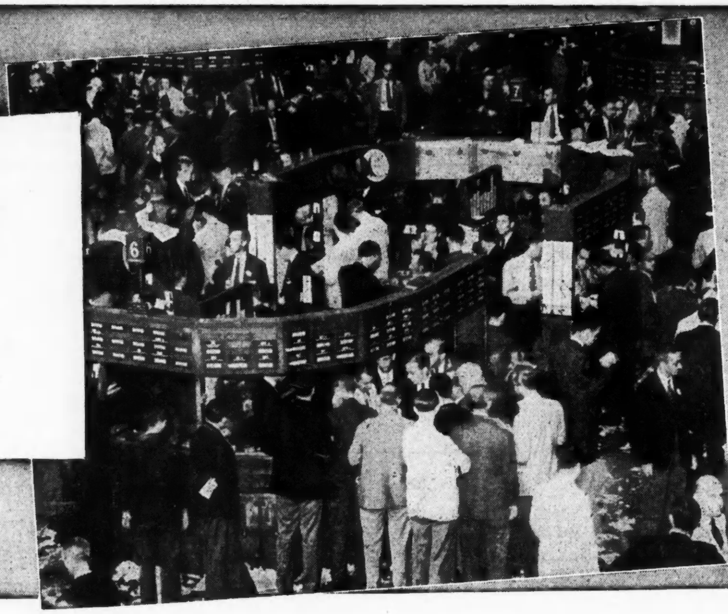
(a)—Favorable Trend.
(b)—Unfavorable Trend.
(d)—Deficit.
[1]—6 months ended July 31.
[2]—Plus stock.
[3]—Directors took no further action on dividend.
[4]—New stock.

Companies Showing Divergent Earnings Trends in 18 Groups (Continued)

	Net Per Share —1st 6 Months— 1952	1951	Net Profit Margin 1952 %	1951 %	Indicated Current Div.	Recent Price	Yield %	COMMENTS
(b) Clinton Foods	.52	1.55	1.2	4.3	.20[3]	23⅝	.8	Hard hit by price declines; earnings may be on bottom, but need for aggressive sales exploitation may retard per share net.
MACHINERY								
(a) Caterpillar Tractor	2.99	2.62	4.6	4.6	3.00	55	5.4	Near record volume for half-year. Net restricted by enlarged costs. Near term prospects point to continuing high sales.
(b) Foster Wheeler	1.01	1.58	1.1	2.5	.50[3]	20¾	2.4	Company's earnings record has been erratic due to marginal trade position. Outlook uncertain.
MACHINE TOOLS								
(a) Bullard Co.	4.09	2.23	4.1	4.9	3.00	34½	8.7	Current earnings satisfactory. Near-term outlook good, but may be rapidly eating into 1½ years backlog.
(b) Greenfield Tap & Die	1.80	3.59	4.8	9.1	2.00	20⅝	9.7	Operations and sales affected by steel strike. Rising costs suggest a moderate decline in earnings.
MERCHANDISING								
(a) Allied Stores	.83[1]	.39[1]	1.0	.6	3.00	37¾	7.9	An improving margin trend was shown recently, but earnings for the full year may barely cover the dividend.
(b) Montgomery Ward & Co.	2.40	3.56	3.3	4.7	3.00	58⅜	5.1	Lower sales and lower mark-ups responsiblefor reduced net. Competition increasing, cash position strong. Earnings may trend lower.
METALS								
(a) International Nickel	2.23	1.95	21.2	22.3	2.60	44¾	5.9	Trade position strong. Uptrend in production and earnings remain promising as long as defense demands continue.
(b) Aluminium Ltd.	2.66	4.88	7.0	13.3	4.00	51¾	7.7	Expansion, high costs and special charges have restrained earnings. Lowest cost producer. Excellent future, subject to cyclical influences.
(b) Anaconda Copper	2.19	2.92	8.4	10.9	3.50	40⅝	8.6	Increased costs and 3 week strike account for decreased net. May diversify into aluminum. Higher output should top 1951 results.
OILS								
(a) Gulf Oil	2.95	2.79	8.9	9.8	2.00	49½	4.0	Crude production well maintained. Foreign reserves exceptionally large. Excellent long range growth. Current net to equal 1951.
(a) Socony Vacuum Oil	2.64	2.39	10.8	10.4	2.00	33⅝	5.9	Heavy drilling expense may hold net to Expect steady progress in building up 1951 results. Strengthening crude position. earning power.
(b) Lion Oil	1.80	1.45	12.3	13.4	2.00	36	5.5	Rising operating and exploration costs tending to restrain per share earnings, along with increased capitalization. Long-term outlook fair.
RAIL EQUIPMENT								
(a) Gen. Amer. Transp.	2.85	2.50	4.6	4.8	3.50	57¾	6.1	Outstanding in the industry. Activity continues high. Stability of operations important feature. Good profit outlook.
(b) American Brake Shoe	2.07	2.57	3.6	4.1	3.00	38¾	7.7	Steel strike effects lowered first half net. Backlogs off somewhat. Armament increasingly important. Diversification gives some degree of stability.
RUBBER								
(a) Goodrich (B. F.)	3.46	3.79	5.0	5.0	2.50	66	3.8	Fine record in profitable product diversification and research. Nearby earnings trend lower. Longer term outlook excellent.
(b) U. S. Rubber	1.95	2.62	2.9	3.8	2.00	23⅝	8.4	Margin factors under continuing pressure from civilian lines and unprofitable military business, despite diversification. Lower net this year.
STEEL								
(a) National Steel	2.12	3.25	6.1	7.4	3.00	45⅜	6.6	Half of Company's capacity in operation throughout strike. Could earn $4.25 this year. Occupies strong position in cyclical industry.
(b) Acme Steel	.81	2.12	5.8	9.5	1.80	25¼	7.1	Temporary rise in production for balance of year at least. However, company is faced with increasing profits squeeze. Outlook uncertain.
(b) Jones & Laughlin	.62	2.42	2.0	5.5	1.80	21⅜	8.4	Basic position improved, but higher costs will cut 1952 net. Volume may hold to the Spring. Long-term trend satisfactory.
TEXTILES								
(a) Industrial Rayon	2.47	2.44	14.1	10.8	3.00	58	5.1	Margins maintained by capacity output of tire yarns. Taxes and depressed industry conditions slightly lower 1952 net. Cyclical growth characteristics.
(b) Celanese Corp.	(d).21	2.79	1.6	14.3	2.25	40	5.6	Half-year results sharply off due to textile slump. Heavy senior capital. Expect slow improvement. Long-term growth potentialities.

(a)—Favorable Trend.
(b)—Unfavorable Trend.
(d)—Deficit.
1—6 months ended July 31.
2—Plus stock.
3—Directors took no further action on dividend.
4—New stock.

FOR PROFIT AND INCOME



Autumn Markets

On average, the autumn season has been an indifferent one for the market. The loss of ground by the industrial average this past September made it 30 September declines since 1897, or during the full history of the Dow average, against 25 September advances. The record for October has been 26 declines, 28 advances; for November 24 declines and 30 advances; for December only 15 declines and 40 advances. Excepting when an uncommonly strong bull tide is running, summer advances or bear-market rallies set a technical stage for autumn reaction or renewed decline. Tax-selling is a factor in much of November and often into a portion of December, especially when a considerable percentage of stocks have declined rather widely from earlier highs. In a great majority of years, lows made either in the second half of November or within the pre-Christmas weeks of December have been under the best levels seen in the first half of November. Whatever the basic trend, technical and psychological factors make a year end rise or rally (late December and early January) about as foolproof a probability as anything in the market can be.

Tax-Selling

A great many stocks are now well down from previous highs, whether they were made earlier this year, or in 1951 or 1950 or 1948 or 1946. That general fact is most unlikely to be significantly changed in nearby weeks, whatever the averages might do. Hence, a rather heavy volume of selling for tax-adjustment purposes can be expected in the usual tax-selling period. It could weigh more heavily on the market than was so in any recent previous year for two reasons: (1) It will be in heavier volume; and (2) less of the funds released will be switched into other stocks, more being held in cash or equivalent, because confidence in the potential for capital gains on a holding period of six months or more figures to be lower than it was at tax-selling time in 1951 or 1950. For market purposes, inflation is currently a very feeble duck, if not a dead one. More investors are content to hold goodly amounts of reserves, in cash or time deposits or short-term obligations, than in a long time.

Groups

With over three-quarters of 1952 now put behind, the Dow industrial average, as this is written, stands less than 2 points (a fraction of 1%) higher than it was at the end of 1951. Among the individual stock groups the net changes for the year to date are, of course, highly mixed—so much so that if there is any "general trend" in this market it is not apparent to the naked eye. Groups which at present show net gains on the year are aircraft, automobiles, auto accessories, baking, construction (slight), dairy products, finance companies, food brands, food stores, gold mining, machinery (slight), mail order (slight), paper (slight), public utilities, radio-television, railroads, shipbuilding, soft drinks

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Arnold Constable Corp.	6 mos. July 31	$ .20	$ .02
Reading Co.	8 mos. Aug. 31	3.46	2.65
Southern Railway	8 mos. Aug. 31	9.55	6.66
American Ship Building Co.	Year June 30	9.74	2.80
Nashville, Chatt. & St. L. Ry.	7 mos. July 31	9.02	6.39
Texas & Pacific Rwy.	7 mos. July 31	11.33	8.35
Willys-Overland Motors	June 30 Quar.	.62	.38
Continental Motors Corp.	July 31 Quar.	.47	.35
Warren Petroleum Corp.	Year June 30	4.80	3.80
Texas Utilities Co.	3 mos. Aug. 31	.90	.81

(slight) and tires (slight). Standing about where they were at the end of 1951 are business machines, chemicals, communication, department stores, rail equipments, tobaccos and department stores. Down more or less since the start of the year are agricultural implements, air lines, amusements, coal mining, copper and brass, drugs, liquor, meat packing, petroleum (due to recent marked softness) steel, sugar and textiles. Since some of the differences are moderate, shifts in the line-up are possible, indeed probable, from week to week.

Leadership

For a long time oils have been by far the most popular stock group with institutional buyers and investors generally, followed by chemicals and utilities. Oils figure prominently in every average of industrial stock prices, and vitally in indexes based on total market values of all outstanding shares of companies represented therein, since there are so many big oil companies with large stock capitalizations. The big 1951 rise in oils accounted in large measure for the moderate 1951 lift in industrial stock averages. The petering out of the vogue in oils, begun not long after the turn of the year, largely accounts for sluggish upside performance of the industrial averages in 1952 to date; and recent softness in oils is much of the story of general market pressure. No other industrial stock group is both sufficiently favored and sufficiently important in total market weight to replace oils as leaders on the bull side. If they are finished, the supply levels around 275-280 at which the Dow industrial average has been stymied for 18 months or so will be all the more difficult, if not impossible, to plough through within any presently foreseeable future.

The Reasons

Taking at least part of the fat profits available in oil stocks was advised in these discussions earlier on the belief that they were "about high enough". Now that most issues are down very substantially, we would not urge selling. They are likely to meet investment demand either around here or on small further price recessions. Gasoline demand has run moderately under earlier expectations; and fuel oil supplies have been built up, under official urging, to meet the expected substantially increased heating-season demand. Since the product "mix" is only partly flexible, refinery runs will have to be cut back moderately—perhaps 3% to 4%—to avoid accumulation of over-heavy gasoline stocks. This adjustment is of no great significance; but when stocks have been over-exploited and are technically vulnerable, any change for the worse is enough to induce sharp decline in market prices. Given normal winter weather, the industry will be OK. Given a mild winter, it will be in trouble. The latter is always a contingent hazard. Full-year earnings will average close to 1951's good level; and average dividends will be a little higher. The stocks will get support on dips; and probably move more in line with the general market from this point on than heretofore. The same pattern has been true of chemicals. They outgained the market on the major rise from 1949 into the autumn of last year, had a sharp correction, and subsequently have performed for many months pretty well in line with the industrial list.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Northern Pacific Rwy.	8 mos. Aug. 31	$1.92	$2.68
McKesson & Robbins	Year June 30	3.60	4.51
Anderson, Clayton & Co.	Year July 31	4.48	8.49
Emerson Radio & Phono.	39 Weeks Aug. 2	.52	1.57
Aldens, Inc.	6 mos. Aug. 1	.11	1.05
Lerner Stores Corp.	6 mos. July 31	.79	1.02
Bond Stores	6 mos. June 30	.32	.93
Smith, L. C. & Corona Type.	Year June 30	3.70	5.60
U. S. Plywood Corp.	July 31 Quar.	.67	1.29
International Harvester Co.	9 mos. July 31	2.57	3.36

Ward and Avery

At this writing Montgomery Ward has sagged to a new 1952-1951 low of 57¾, after getting as high as 75⅞ at one time last year. This cancels over 60% of its maximum rise from the 1949 low. One reason is disappointing earnings. Another is that the market consensus has long been cool on the stock because of the company's "stand-pattism" under Mr. Sewell Avery, its chairman and boss, and because of the uncommon turnover in executive personnel. Two more vice-presidents recently resigned. This makes the quit-or-fire score, since Mr. Avery took over in 1931, 4 presidents and 30 vice presidents, according to a recent published newspaper account. Switching out of the stock was suggested here, at a higher level, some time ago. It will have a basis for important improvement some day from a depressed level, facilitated by a very strong and liquid asset position.

Biscuits

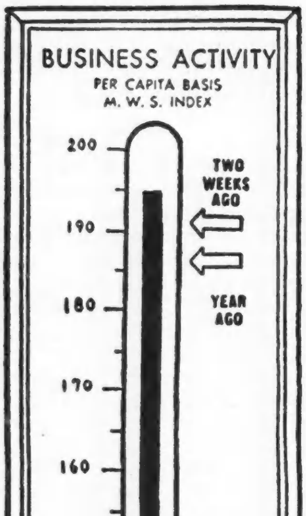
National Biscuit is by the far the biggest company in its field, but for some time it more or less coasted, while smaller competitors bet on expansion and plant modernization—with the following results: Comparing 1939 with best postwar results, National Biscuit gained 108% in share earnings, with its operating margin, however, down from 20.6% to 15.7%; Sunshine Biscuit gained about 800% in earnings, with its margin up from 5.8% to 14.3%; and United Biscuit gained 383% in earnings, with margin up from 9.2% to 11.0% All had reduced earnings and narrower margins last year, without changing the picture as regards differences in results since 1939. However, National started a big modernization program some time ago, to be finished early in 1953, which is already paying off. First-half net showed a sizable gain, and 1952 earnings probably will be something like 12% to 15% better than 1951's $2.30 a share. Those of Sunshine and United figure to moderately lower this year than last. Dividends in all three cases are secure, with coverage widest for United, since it has been paying out less than half of earnings. Differences in intrinsic quality are largely allowed for in market prices. Current yields are 6.2% for National at 32⅛; 6.1% for Sunshine at 65; and 5.7% for

(*Please turn to page* 97)

What's Ahead for Business?

By E. K. A.

The biggest problem now confronting many business men is fitting their programs for 1953 into what seems to be the general business pattern for the year. The increased popularity of the Gross National Product, a Keynesian concept, as a barometer of business health has given rise to the belief that business forecasting is approaching the realm of an exact science. Given an estimate of the Gross National Product or GNP for the ensuing year, the presumption is that the prospect for almost any type of business can be foretold with reasonable exactitude. For 1953, that can be a dangerous assumption.



The "open season" for forecasting GNP for 1953 is on, with the Department of Agriculture leading the way in its annual "outlook" conferences. The only known fact about 1953 is that Government purchases of goods and services—one of the important items in the composition of GNP—will be larger than in 1952. The total for defense spending will be larger than this year, even allowing for the attainment of a peak in the Spring and some leveling out thereafter. The sum of purchases by federal, state, and local governments may approximate $85 billion versus the indicated total of $89 billion this year.

It is an inbred part of Keynesian philosophy—to which many economists, both in and out of Government, subscribe—that a rise in Government spending assures a rise in the Gross National Product. Nevertheless, the records show that Government spending was larger in 1930 than in 1929 and still larger in 1931, and that the total in 1938 was greater than in 1937; in each of these latter year, GNP and general business health slumped. It can be argued that Government expenditures were comparatively insignificant relative to the GNP total in these years. But, that does not explain away the situation in 1949. In that year, Government expenditures comprised some 17 percent of the GNP total and were almost 20 percent larger than in 1948, but the GNP total nevertheless was down a little.

Present indications are that the Gross National Product for 1952 will approximate $345 billion versus $329 billion in 1951. Even though Government expenditures are scheduled to rise, it is far from a foregone conclusion that the 1953 figure will be still higher although there is no doubt that numerous economists will so indicate.

Personal consumption expenditures, what consumers spend for goods and services, are the major item in the composition of GNP, equal to over 60 percent of the indicated total for this year. Consumer buying habits, as many business men know, are almost unpredictable. In 1953, they may spend approximately the same as the indicated $215 billion this year. With the price trend downward, they may pull in their horns a little. There is enough talk of recession in 1953 going around to make many consumers wary of spending as freely as in the past.

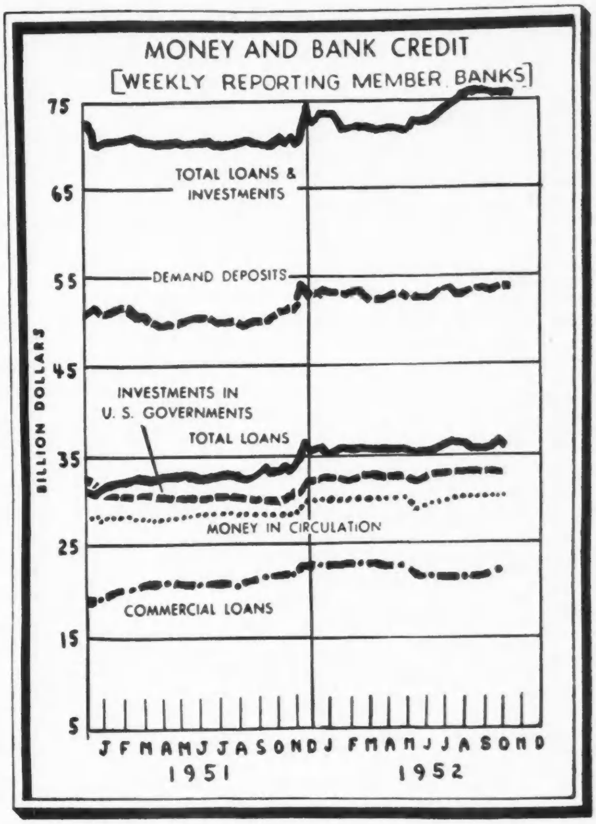
Since consumer expenditures constitute such a large percentage of the combined Gross National Product, the use of GNP as a forecasting medium for business generally is open to serious question. Many business men consider the Federal Reserve Board index of industrial production as a far more reliable barometer of business than GNP, and it is a proven fact that changes in consumer spending always lag well behind changes in industrial output. Dependence on consumer expenditures in the latter part of 1920 and 1929, for example, as measures of business health would have given a completely erroneous concept of what was happening to business generally, since expenditures were well maintained in the face of declining industrial production and slowly rising unemployment.

Gross private domestic investment, the remaining major component of GNP, seems unlikely to be as large as 1953 as the estimated $50 billion this year. Plant and equipment expenditures will be down some and so, too, will be residential construction according to present indications. Some inventory losses may be recorded in the event of further slump in prices.

Analysis of the components suggests that the Gross National Product in 1953 may be no larger than the indicated figure of $345 billion for 1952, and it may be slightly lower. Regardless of the uptrend in Government expenditures and of what Government officials may indicate, no rise of importance in GNP is indicated. And, comparative stability in GNP is no assurance of comparative stability in any of the numerous individual enterprises that constitute the entire business fabric.

The Business Analyst
HIGHLIGHTS

MONEY AND CREDIT—The Treasury has been preparing for a hard winter by piling up an ample reserve of funds with which to meet all contingencies. Its latest borrowing on October 6, brought in $2.5 billion via sale of tax anticipation bills maturing on March 18 of next year. Interest cost was a reasonable 1.72%, reflecting in part the easier money market engendered by the Federal Reserve's heavy recent purchases of maturing 1⅞% certificates which holders preferred to sell rather than accept a Treasury exchange offer. In addition bank purchasers of the new tax anticipation bills felt that corporations would be eager buyers as they must now begin to save up money for large March 15 tax payments. The new financing adds to an already well-heeled Treasury, what with $7.6 billion in the general fund balance on September 30. Of course the government is running at a deficit which amounted to $3.88 billion in the first three months of the current fiscal year. After deducting the $1.17 billion excess of receipts over disbursements in government trust accounts during the period the cash deficit was $2.71 billion. For the October-December period the excess of cash outgo over income may run as high as $3.5 billion and there may also be a small excess of savings bond redemptions over sales. In any event the Treasury will wind up calendar 1952 with a general fund balance of close to $6.6 billion, which would be quite an improvement over the $4.3 billion on hand on December 31, 1951. With the first half of 1953 promising a surplus of cash receipts over expenditures, the Treasury is now comfortably situated to meet coming requisitions on it and need not do any further borrowing for many months to come. At the same time the pressure on the Federal Reserve to keep money yields low, is considerably lessened. With business demand for loans expected to reach a peak this month, tight money conditions may thus return with a bang. Business borrowings from weekly reporting member banks totalled $21.6 billion on September 24, up $1.03 billion from the summer low. In the corresponding period of 1951 this type of loan rose by $2.65 billion. This year's slower loan build-up may reflect in part the temporary inability of some companies to add to inventories because of shortages induced by the steel strike. Inventory rebuilding and consequent increased demand for loans are expected to gather new vigor now.



TRADE—Total retail sales for the country as a whole continue to run somewhat above last year's results. For the week ending Wednesday, October 1, these sales were about 2% above the corresponding week with higher prices rather than increased volume accounting for the gain. Demand for food was good during the period under review but apparel sales dropped a bit, in line with milder weather. Household goods, including furniture, moved well in contrast with conditions a year ago. Department stores have not done as well as other retail outlets in recent weeks. Department store sales for the week ended September 27 were 2% under a year ago with the New York and Minneapolis districts vying for last place—5% under the results for the corresponding week of 1951.

INDUSTRY—Industrial activity picked up sharply during September and purchasing agents throughout the nation report a spurt in production and new orders during the month. The decline in manufacturers' inventories has been halted and some lines are reporting renewed inventory accumulation. The business betterment is amply confirmed by the Federal Reserve Board's estimate that its industrial production index in September leaped to 223% of the 1935-1939 average from 193% only two months earlier.

COMMODITIES—The decline in average wholesale commodity prices slowed to a walk in the week ending September 30 and the Bureau of Labor Statistics Index of primary market prices lost only 0.1% to close at 111% of the 1945-1947 average. The range of this index has been very narrow since it established its low for the year on June 28 at 110.7. The subsequent rally to 112.2 on August 23 has been followed by five consecutive weeks of slow decline. The latest week saw farm products reverse their recent weakness with a 0.7% advance, mainly because of higher prices for fresh fruits and vegetables, steers, calves, hogs and eggs. Processed foods lost 1% in the seven-day period as the meat component of the index dropped 3.4% during the week.

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Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Sept.	4.2	3.3	2.7	1.55
Cumulative from mid-1940	Sept.	471.9	467.7	425.7	13.8
FEDERAL GROSS DEBT—$b	Oct. 1	262.4	262.6	257.2	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Sept. 24	52.3	53.2	50.5	26.1
Currency in Circulation	Oct. 1	29.4	29.2	28.3	10.7
BANK DEBITS					
New York City—$b	Sept. 24	12.0	13.6	10.9	4.26
93 Other Centers—$b	Sept. 24	16.7	18.0	15.9	7.60
PERSONAL INCOMES—$b (cd2)	July	264.2	266.7	254.5	102
Salaries and Wages	July	174	176	167	66
Proprietors' Incomes	July	53	53	50	23
Interest and Dividends	July	21	21	20	10
Transfer Payments	July	12	13	13	3
(INCOME FROM AGRICULTURE)	July	21	21	21	10
POPULATION—m (e) (cb)	Aug.	157.2	157.0	154.6	133.8
Non-Institutional, Age 14 & Over	Aug.	109.8	109.7	108.9	101.8
Civilian Labor Force	Aug.	64.0	64.2	64.2	55.6
unemployed	Aug.	1.6	1.9	1.6	3.8
Employed	Aug.	62.4	62.2	62.6	51.8
In Agriculture	Aug.	7.0	7.6	7.7	8.0
Non-Farm	Aug.	55.4	54.6	54.9	43.8
At Work	Aug.	57.0	56.1	57.8	43.2
Weekly Hours	Aug.	42.9	42.8	43.6	42.0
Man-Hours Weekly—b	Aug.	2.45	2.40	2.52	1.82
EMPLOYEES, Non-Farm—m (lb)	Aug.	46.9	46.0	46.7	37.5
Government	Aug.	6.6	6.6	6.4	4.8
Factory	Aug.	12.8	12.1	12.9	11.7
Weekly Hours	Aug.	40.2	39.9	40.2	40.4
Hourly Wage (cents)	Aug.	166.3	164.9	159.6	77.3
Weekly Wage ($)	Aug.	6 6.85	65.80	64.24	21.33
PRICES—Wholesale (lb2)	Sept. 30	111.0	111.3	113.4	92.5
Retail (cd)	July	211.8	210.6	206.6	116.2
COST OF LIVING (lb3)	Aug.	191.1	190.8	185.5	100.2
Food	Aug.	235.5	234.9	227.0	113.1
Clothing	Aug.	201.1	201.4	203.6	113.8
Rent	Aug.	142.3	141.9	136.8	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Aug.	13.3	13.5	13.1	4.7
Durable Goods	Aug.	4.2	4.5	4.4	1.1
Non-Durable Goods	Aug.	9.1	9.0	8.7	3.6
Dep't Store Sales (mrb)	Aug.	0.86	0.79	0.82	0.34
Retail Sales Credit, End Mo. (rb2)	Aug.	12.0	11.9	11.0	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Aug.	23.7	22.6	23.0	14.6
Durable Goods	Aug.	11.1	11.2	11.0	7.1
Non-Durable Goods	Aug.	12.6	11.4	11.9	7.5
Shipments—$b (cd)—Total**	Aug.	22.1	21.7	21.7	8.3
Durable Goods	Aug.	10.4	9.7	10.0	4.1
Non-Durable Goods	Aug.	11.7	12.0	11.7	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	July	69.3	69.5	70.3	28.6
Manufacturers'	July	42.1	42.2	39.9	16.4
Wholesalers'	July	9.4	9.5	10.3	4.1
Retailers'	July	17.8	17.8	20.0	8.1
Dept. Store Stocks (mrb)	July	2.4	2.3	2.7	1.1
BUSINESS ACTIVITY—1—pc	Sept. 27	194.4	194.5	186.7	141.8
(M. W. S.)—1—np	Sept. 27	231.4	231.6	217.8	146.5

PRESENT POSITION AND OUTLOOK

Spending for **NEW CONSTRUCTION** totalled $3.11 billion in September, the third consecutive month that these outlays have topped the $3 billion mark, the Commerce Department has reported. Expenditures for private construction last month came to $2.04 billion, which was slightly above the $1.96 billion spent for this purpose a year ago. Residential building rose to $1.05 billion from $938 million the month before and $958 million in September 1951. The value of public consrtuction came to $1.08 billion last month, a 10% rise from a year ago. Construction expenditures for the July-September quarter of this year were valued at $9.34 billion which was $600 million higher than in the third quarter of 1951. Private residential building and public utility construction each were 9% higher while private non-residential building was the same percentage lower.

* * *

PRODUCTION OF MACHINE TOOLS was proceeding at a $100 million a month clip in August and this compares with the record monthly output of $125 million reached during World War II. **SHIPMENTS** rose sharply in August raising the index of the National Machine Tool Builders Association to 316.0% of the 1945-1947 average from 257.2% in July. **NEW ORDERS** in August were 311.7% of the base period, a pretty sharp drop from the month before when the index stood at 374.6%. New orders are still far below the post-Korea peak of February 1951 when the index reached 615.3% of the 1945-1947 base. With shipments running above new orders and cancellations equalling 14% of orders received, it would take 12.3 months at current production rates to fill the unfilled orders on the books, versus 12.6 months in July and a peak 23.5 months it would have taken to fill orders on hand in September 1951.

* * *

EXPORTS from the United States declined to $1,013 million in July from $1,164 million the month before, the Census Bureau has announced. The export totals include $129 million in July and $113 million in June of goods supplied to foreign countries under the Mutual Security Program. Exports of textiles registered the biggest month-to-month drop, falling to $55 million in July from $106.5 million in June, due largely to a decline in cotton shipments. Export declines were also noted for steel mill products, grains, autos, tractors and coal. **IMPORTS** into this country in July of $836 million were also lower than June's $860 million and about 9% below the 1951 monthly average. Import declines occurred in rubber, tobacco, wood, paper and lead

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Aug.	215	193	217	174
Mining	Aug.	159	142	165	133
Durable Goods Mfr.	Aug.	268	231	267	220
Non-Durable Goods Mfr.	Aug.	190	179	193	151
CARLOADINGS—t—Total	Sept. 27	862	874	865	833
Misc. Freight	Sept. 27	415	407	415	379
Mdse. L. C. L.	Sept. 27	77	75	77	156
Grain	Sept. 27	51	48	51	43
ELEC. POWER Output (Kw.H.) m	Sept. 27	7,625	7,725	7,102	3,267
SOFT COAL, Prod. (st) m	Sept. 27	10.0	11.5	11.1	10.8
Cumulative from Jan. 1	Sept. 27	345.1	335.1	389.7	44.6
Stocks, End Mo.	Aug.	81.2	79.4	75.4	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Sept. 27	6.5	6.5	6.3	4.1
Gasoline Stocks	Sept. 27	120	118	122	86
Fuel Oil Stocks	Sept. 27	55	53	49	94
Heating Oil Stocks	Sept. 27	115	112	104	55
LUMBER, Prod.—(bd. ft.) m	Sept. 27	678	700	613	632
Stocks, End Mo. (bd. ft.) b	Aug.	8.4	8.3	7.9	12.6
STEEL INGOT PROD. (st) m	Aug.	8.5	1.6	8.7	7.0
Cumulative from Jan. 1	Aug.	55.1	46.6	69.7	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Oct. 2	234	317	422	94
Cumulative from Jan. 1	Oct. 2	12,490	12,256	11,146	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Sept. 27	227	216	206	165
Cigarettes, Domestic Sales—b	Aug.	36	34	37	17
Do., Cigars—m	Aug.	485	504	534	543
Do., Manufactured Tobacco (lbs.)m	Aug.	19	16	22	28

PRESENT POSITION AND OUTLOOK

but copper imports were higher.

* * *

American business in planning record expenditures of $14.3 billion for **PLANT AND EQUIPMENT** in the second half of this year, on top of $13.2 billion already disbursed for this purpose in the first half, according to a joint survey of the Commerce Department and the Securities and Exchange Commission. If the programs for the July-December period are realized, capital outlays for the full year will amount to $27.5 billion or 4% higher than in 1951. Manufacturing companies are planning to spend $12.8 billion on plant and equipment this year, 15% above 1951, while increases of more than 30% are expected for industries producing non-ferrous metals, rubber, petroleum products and steel and iron.

* * *

CASH DIVIDEND PAYMENTS by corporations issuing public reports rose to $231 million in August or 7% more than the $215 million paid out in the same month of last year, the Commerce Department has announced. The August dividend rise resulted almost entirely from changes in dividend dates. For the first eight months of this year cash dividends aggregated $4,605 million, a 5% improvement over the same period of 1951. The oil refining industry showed the biggest gain—21%.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

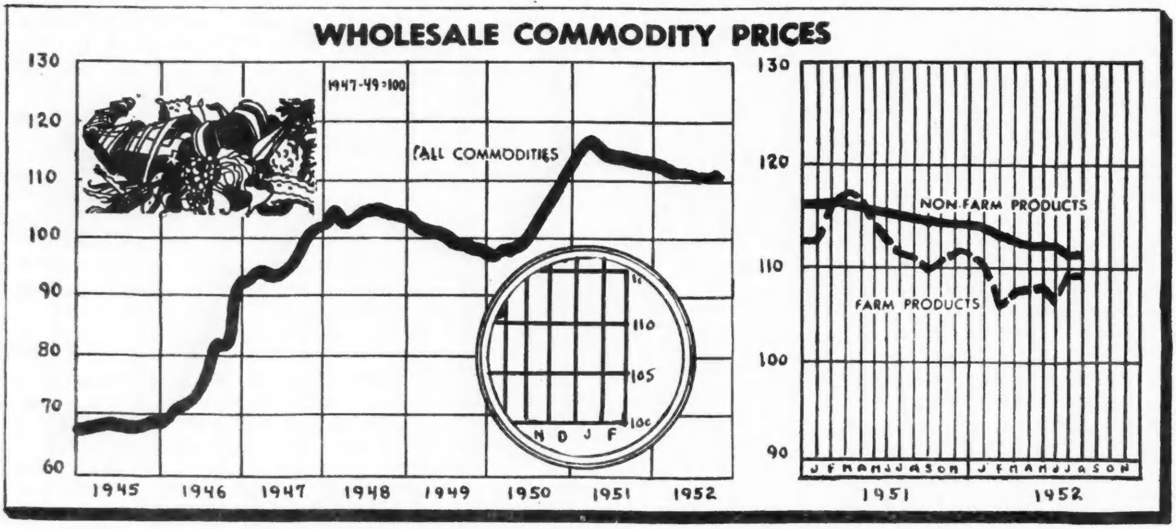
No. of Issues (1925 Cl.—100)	1952 Indexes High	Low	1952 Sept. 26	1952 Oct. 3
330 COMBINED AVERAGE	202.1	190.9	196.6	194.8
4 Agricultural Implements	295.8	258.6	258.6	258.6
10 Aircraft ('27 Cl.—100)	337.4	278.2	331.5	334.5
7 Air Lines ('34 Cl.—100)	777.8	609.0	616.9	609.0
8 Amusement	102.7	80.0	83.9	83.9
10 Automobile Accessories	251.2	232.0	248.8	251.2
11 Automobiles	44.2	40.2	43.8	43.4
3 Baking ('26 Cl.—100)	22.0	20.8	21.8	21.8
3 Business Machines	398.3	370.4	382.4	370.4
2 Bus Lines ('26 Cl.—100)	182.2	141.6	173.2	176.2
6 Chemicals	418.0	356.4	376.7	372.6
3 Coal Mining	16.0	13.5	13.6	13.8
4 Communications	68.3	61.7	64.3	63.6
9 Construction	72.3	66.8	66.8	66.8
7 Containers	490.6	442.8	447.5	452.3
9 Copper & Brass	169.5	138.8	148.5	146.9
2 Dairy Products	90.5	83.2	88.9	86.5
5 Department Stores	66.0	60.1	62.7	62.0
6 Drugs & Toilet Articles	233.1	210.5	215.0	210.5Z
2 Finance Companies	394.3	308.1	387.9	391.1
7 Food Brands	185.6	171.5	183.9	182.1
2 Food Stores	108.6	97.4	108.6	108.6
3 Furnishings	66.7	59.3	63.7	64.9
4 Gold Mining	736.4	648.3	673.5	679.8

(Nov. 14, 1936, Cl.—100)	High	Low	1952 Sept. 26	1952 Oct. 3
100 HIGH PRICED STOCKS	129.1	119.2	124.3	122.7
100 LOW PRICED STOCKS	241.5	226.9	232.1	230.5
5 Investment Trusts	109.8	97.9	105.8	104.8
3 Liquor ('27 Cl.—100)	1146.9	865.5	876.7	865.5Z
11 Machinery	218.7	197.9	214.5	210.4
3 Mail Order	130.6	115.1	116.4	115.1Z
3 Meat Packing	100.2	79.6	80.6	79.6
13 Metals, Miscellaneous	307.4	249.4	255.2	252.3
4 Paper	443.7	395.3	431.6	423.6
29 Petroleum	485.1	424.4	437.4	424.4Z
30 Public Utilities	180.4	162.5	180.4	178.8
9 Radio & TV ('27 Cl.—100)	36.1	31.1	36.1	35.8
8 Railroad Equipment	64.3	57.3	58.6	57.3Z
24 Railroads	49.4	41.3	46.6	45.8
3 Realty	48.5	38.2	47.4	47.4
3 Shipbuilding	208.4R	181.0	201.0R	195.5
3 Soft Drinks	330.5	301.2	310.7	304.3
14 Steel & Iron	154.8	135.3	136.8	135.3
3 Sugar	73.1	59.6	60.4	59.6Z
2 Sulphur	616.3	530.4	563.2	557.7
5 Textiles	197.4	162.2	168.0	162.2Z
3 Tires & Rubber	76.7	66.9	70.4	68.3
6 Tobacco	85.9	78.6	81.0	81.8
2 Variety Stores	319.6	294.8	297.9	194.8
18 Unclassified ('49 Cl.—100)	119.7	115.1	117.4	116.2

R—Revised. Z—New Low for 1952.

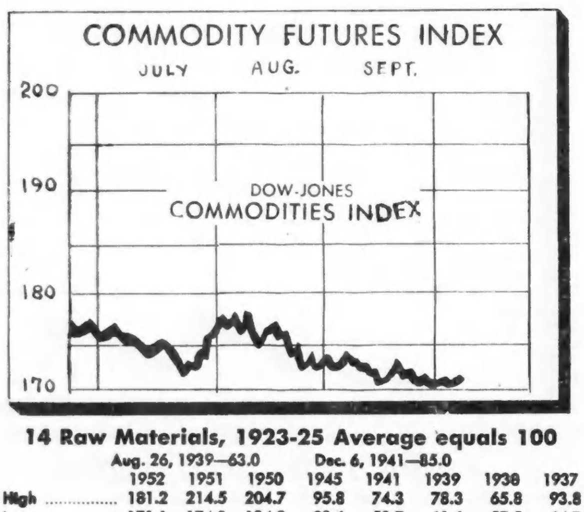
Trend of Commodities

Declining commodity futures seem to have become a habit and the past fortnight has been no exception. In the two weeks ending October 6 the Dow-Jones Futures Index lost 1.67 points to close at 171.51 after plumbing a new low for the year at 171.09 on September 30. The decline during the period has been slow, however, with distant options in wheat, oats and coffee actually gaining while the near months for the same commodities were weaker. Lower prices during the period were noted for cotton, cocoa, lard, sugar, zinc, rubber, hides and cottonseed oil. Gains were registered for rye, soy beans and wool tops while corn was unchanged. May wheat closed at 143⅛ on October 6, a ¾ cent decline since September 22. The Office of Foreign Agricultural Relations forecast a record 1952-1953 world wheat crop of 7,150 million bushels, or about 10% above last year's output. However, next year's domestic crop is not getting off to a good start as seeding conditions for winter wheat have been poor with more moisture needed. This may be the reason why new crop July futures countered the downward movement of old crop options by advancing ⅞ cents in the past two weeks. December cotton lost 56 points during the period under review as the movement of the crop to market became heavier. Growers have been selling freely while mills have been cautious buyers, favoring setbacks for purchases. Very little cotton is going into the government loan as market prices are appreciably above loan levels. Exports continue to make a poor showing as compared with last year and demand in the domestic cotton cloth marke thas fallen off in the past two weeks. The Department of Agriculture's forecast, due October 8 may be larger than the 13.9 million bale crop estimated a month earlier.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

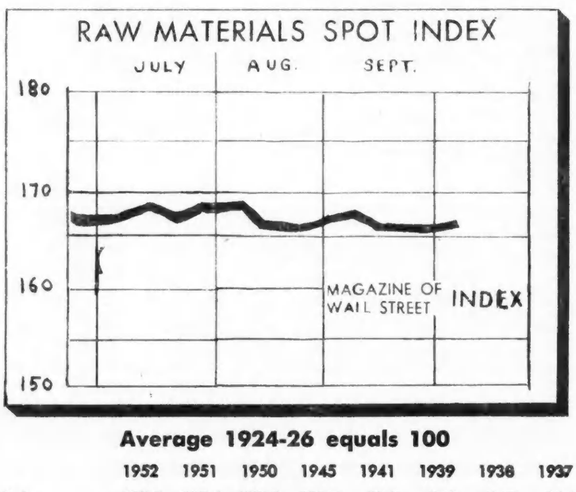
	Date Oct. 6	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	289.2	290.8	292.5	334.6	156.9
11 Impotred Commodities	284.3	285.7	284.6	347.3	157.3
17 Domestic Commodities	292.4	294.2	297.8	326.6	156.6
7 Domestic Agriculture	345.1	344.7	350.0	360.7	163.9
12 Foodstuffs	346.8	350.2	357.4	372.2	162.2
16 Raw Materials	269.2	269.7	267.2	320.5	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	171.1	174.8	134.2	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	166.0	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

Pictures of U. S. Air Force bases, nestling in the snow and ice of the Arctic, made us wonder, as perhaps countless others have, how men assigned to duty in the region were housed against the extreme cold. Some of this wonderment was dissipated for us upon learning that barracks and other structures are refrigerator-like in construction and highly insulated to protect men and materials from the dampness and icy temperatures of the very far North. Much of this protection has been made possible by Armorply, modular panels of aluminum and plywood; a product of the **U. S. Plywood Corp.** For years attempts to keep metal glued to wood under wide temperature changes were unsuccessful due to the difference between the coefficient of the two materials. This problem was solved with the development of an elastic glue which expands and contracts with the metal. At the Thule Air Base in Greenland 15 million feet of Armorply were used, all of it being manufactured and shipped within the three months during which ice conditions permit ships to approach the air base area.

During the prolonged heat wave which most of the country went through this summer, dealers' stocks of room air-conditioning units were quickly depleted by the unprecedented demand from suffering humanity. Some of us procrastinated until the heat made us desperate but by then it was too late: there wasn't a dealer in town who had a unit to sell. Sales by **Carrier Corp.**, of its home Weathermaker units so far this year have been more than double 1951 volume. Anticipating a growing demand, the company has moved into a new plant of approximately 400,000 square feet which will be devoted primarily to the manufacture of residential air conditioning and other unitary equipment. It has also arranged for the purchase of another 400,000 square feet of plant space to be devoted to manufacturing, warehousing and research. The Weathermaker unit provides complete air-conditioning for the home. The company also states that sales of single-room air-conditioning units in the first half of this year were greater than for the entire 1951 year.

And, speaking of home air-conditioning, indications are that home-buyers are beginning to show a preference for houses equipped with units to combat summer heat as well as winter cold. Developers, aware of the trend, have already taken steps to meet it. Within the past few months developments embracing plans for more than 1,000 fully air-conditioned homes have been opened in three states. At Westbury, Long Island, 450 air-conditioned homes are to be built equipped with **General Electric's** new Air-Wall system of heating and cooling.

There's bad news tonight for Dad, and Mother, too. No longer will they be protected from son or daughter borrowing sox or stockings by a difference in size. **The Duplan Corp.**, is now producing "stretch" nylon yarn, under license from Swiss textile engineers, which has such elasticity that one size of hosiery, sweater, glove or underwear fits many different sized persons perfectly. Men's hosiery, for example, made of the yarn look like miniatures, but expand so that three sizes instead of the usual nine fit the largest or the smallest feet. Yet each person is fitted perfectly as the yarn contracts with a soft glove-like fit, without noticeable pressure. The process uses normal nylon yarn, but takes advantage of the natural action of nylon when it is twisted tightly and then heat-set to retain the twisted form. The yarn, trade-marked Helanca is processed by Duplan on a "commission" basis for knitters or weavers who buy the regular nylon yarn from **duPont de Nemours.** Duplan never owns the yarn, which always belongs to the company for which it is being processed.

Probably, the strongest memories most of us have are those of odors and sounds. The country boy or girl, perhaps at the age of four score and ten, continues to recall the odors of the country-side and its sounds, including the whistle of the steam locomotive, especially at night, as it high-balled through the darkness. But now the "iron horse" of the rails is becoming extinct. In its place is the Diesel with its raucous horn which is, perhaps, the price of progress, which is not yet ended. Television appears to have opened up a new avenue of approach to greater railroad efficiency and less hazardous duty for some of its workers. Tests along these lines have already been conducted by the **Baltimore & Ohio Railroad** in conjunction with the **Radio Corp. of America** at the road's big Chicago classification yard. Through the use of TV sets car numbers can be listed by a checker as the cars pass an unattended camera. Similarly, supervisors in a single location can observe the disposition and movement of all cars and switching engines in the big yard. There is no need for workers to risk life and limb by walking among trains and over tracks as is now the custom. Officials of the road envision numerous other railroad applications of television and believe that the medium may play an important role in railroading of the future, increasing efficiency, improving services and eliminating not only risks but difficult tasks for many railroad workers.

As yet, none of the soft drink companies has suggested a tie-in with **Westinghouse Electric Corp.** in connection with that company's electric clothes dryer. When each load of clothes is dried the machine automatically plays "How Dry I Am," and then shuts itself off. The tune, through the power of suggestion, may cause the housewife to realize that she, too, is dry, and to make her life happy the dryer should hand her a bottle of "pop."

Electronics Industry Enters Dynamic Age

(*Continued from page* 72)

is the limit on those big metropolitan stations." These figures cover only installations—land and building are calculated separately.

Many new stations will operate on the so-called UHF band. When FCC made the original allocation of frequencies, it found room for only 12 channels in the part of the radio spectrum then thought most suitable for TV signals. This is the very high frequency band. There are 70 UHF channels.

The electronics industry is many things to many people—it conjures up a wrist-watch radio to the Buck Rogers fan. But to more serious observers of the industrial scene it means greater efficiency, improved defense of American civilization and better living.

It means such things as:

"Walkie-lookies—those complete TV stations, including camera and transmitter so tiny they can be carried by a man in a shoulder pack—have arrived.

The printed circuit—a method of eliminating bulky wires and coils by etching their functional equivalents on an insulated base—has come to TV and radio.

A large-screen TV receiver for the home which may require only half the space of present models and sell for possibly as little as $100 is closer than many folks realize.

Air-conditioning units which will operate electronically—they won't need motors like present models—may waft cool breezes your way in the not too distant future.

To the military it means:

Atomic bullets with energies as high as 100 billion electron volts, far beyond the limits of practical means available until now.

Guiding robot planes to enemy targets on a TV screen.

From the investment viewpoint, it is already obvious that the field of electronics possess great attractiveness. Like all other new industries, however, it will take years for some of the developments to come to full fruition. Weaker companies in this field are quite likely to fall by the wayside, owing to increased competition. On the other hand, the larger and more solidly placed concerns, as is normally the case in such matters, will dominate the field. As in all other investment matters, the greatest discrimination is required by investors in this field if they are to receive the best returns from their investments.

Investment Audit of U. S. Steel

(*Continued from page* 78)

facilities. "Big Steel" has improved its position in manufacturing steel sheets and specialties that once were made chiefly by smaller concerns. Expansion of output of wider profit-margin items tends to sustain the overall earning position. Thus, in any downward adjustment in volume as demand tapers off, U. S. Steel should fare relatively better than would have been the case a decade or two earlier. Marginal producers are likely to feel the pinch of keener competition earlier than on similar occasions in the past.

Two conflicting forces prevent satisfactory estimates of earnings in the next year or two. For one thing, net profit might be expected to improve in 1953, assuming maintenance of the national defense spending program, for Washington observers look for expiration of excess profits taxes at the end of next June. Relief of such nature presumably would help companies like U. S. Steel which have been burdened with heavy extra assessments. Nevertheless, there is no certainty that the present law may not be extended or that some substitute may not be enacted to continue heavy imposts on producers of armament materials. Moreover, because of its widespread use of accelerated amortization of new facilities, the corporation's depreciation charges will be exceptionally high in 1953 and subsequent near-term years. Such adjustments will tend to reduce pretax net income and will have the effect of lowering reported earnings.

The conviction that government authorities, regardless of party affiliations, would act swiftly to prevent any serious business recession is reassuring for steel producers. Substantial public works projects have been deferred or, at least, retarded because of the need for turning steel and other strategic materials to the defense effort. Accordingly, any slackening in demand by armament producers readily might spur consumption of steel in construction of hospitals, schools, post offices and numerous other types of public buildings. Indications are, then, that steel production may hold at a level of 90 per cent of capacity on the average for some time to come. Such a rate in ordinary times in the past has meant better-than-average earning power—if not actual prosperity—for U. S. Steel and other leaders of its industry.

Most investors are fairly familiar with "Big Steel" and its half-century record of growth. A few comments on the results achieved and on the policies followed should prove helpful in forming an appraisal. Management appears to have exerted a great deal of effort in the last dozen years or so to demonstrate that even in a "feast-or-famine" industry careful policies can give a measure of investment quality to the corporation's common stock. Conservative dividend rates have been maintained while earnings have been ploughed back into the business to assure maintenance of a reasonable return to stockholders.

Except for the decade of 1931-1940, when operations were severely depressed by unfavorable business conditions, dividends have been paid regularly on the common. Payments on the preferred—at least in part—have been made in every years. In the decade just mentioned, common dividends were disbursed in 1931, 1937 and 1940. Since 1940 payments have been continued regularly at a rate well protected by earnings, and an extra was distributed in 1950. This policy appears to have gone far toward strengthened investment confidence in shares of "Big Steel."

Around current levels, the stock may be deemed as reasonably appraised on prospects now considered likely to prevail over the near term. The stock has met with good support at 40 or slightly lower, suggesting that a sound base has been formed in this area. The yield on the $3 dividend of between 7½ and 8 per cent is above average for seasoned industrial issues. Assuming that generally active business conditions may be counted on for the next year or two, U. S. Steel appears well situated to cover its regular dividend requirements by a comfortable margin.

What CROWN means to you depends on who you are

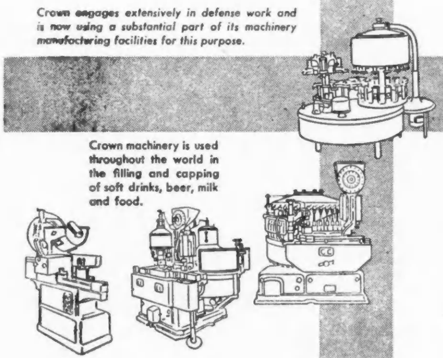
Crown engages extensively in defense work and is now using a substantial part of its machinery manufacturing facilities for this purpose.

If bottling is your business—soft drinks, beer or other beverages—you know Crown as a major supplier of bottle caps and bottling machinery. The same is true if you are in the dairy business as a bottler and distributor of fluid milk.

If you market products packed in glass—foods, toiletries, cosmetics, household products—you know Crown as a supplier of screw caps, lug caps and other metal closures. Also as the maker of the new Cem Vacuum Lug Capper.

If you use tin containers for your product—cans for food, oil, paint, chemicals, etc.—you know Crown's can division, the Crown Can Company, as an alert and reliable source of supply.

And if you are simply a consumer, Crown is still serving you . . . for Crown caps and cans and machinery play an important part in the packaging of products sold in bottles, jars and cans. In fact, the households of the nation are Crown's real customers. From coast to coast most families are being served by Crown products every day.



Crown machinery is used throughout the world in the filling and capping of soft drinks, beer, milk and food.

1892 CCS 1952
DIAMOND ANNIVERSARY

CROWN CORK & SEAL COMPANY

Originator of the Bottle Cap and World's Largest Maker of Metal Closures

BALTIMORE 3, MD.

Subsidiaries:
CROWN CAN COMPANY, Philadelphia, Pa.—WESTERN CROWN CORK & SEAL CORPORATION, San Francisco, Calif.
CROWN CORK SPECIALTY CORPORATION, St. Louis, Mo.—CROWN CORK INTERNATIONAL CORPORATION, Jersey City, N. J.

Only STEEL can do so many jobs

"NOW I CAN HEAR just like the other kids!" Thousands of youngsters and adults, handicapped by deafness, find they are able to live happy normal lives . . . thanks to hearing aids like this. Here, the hearing aid case is of stainless steel . . . chosen for its good looks, its rugged strength and durability, its dent-resistance. Only steel can do so many jobs so well.

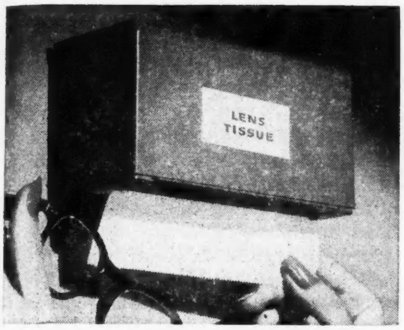
TURNPIKE PROTECTION. That white guard rail you see edging the road as you drive across the Jersey meadows on the recently completed New Jersey Turnpike is made of U·S·S MAN-TEN High Strength Steel. This guard rail is strong, sturdy, safe . . . designed to deflect the cars that strike it, with less chance of injury to car or occupants.

FACTS YOU SHOULD KNOW ABOUT STEEL

The present steel industry expansion program will call for approximately 200,000,000 refractory bricks to line the furnaces. That number of bricks would be enough to build a small city.

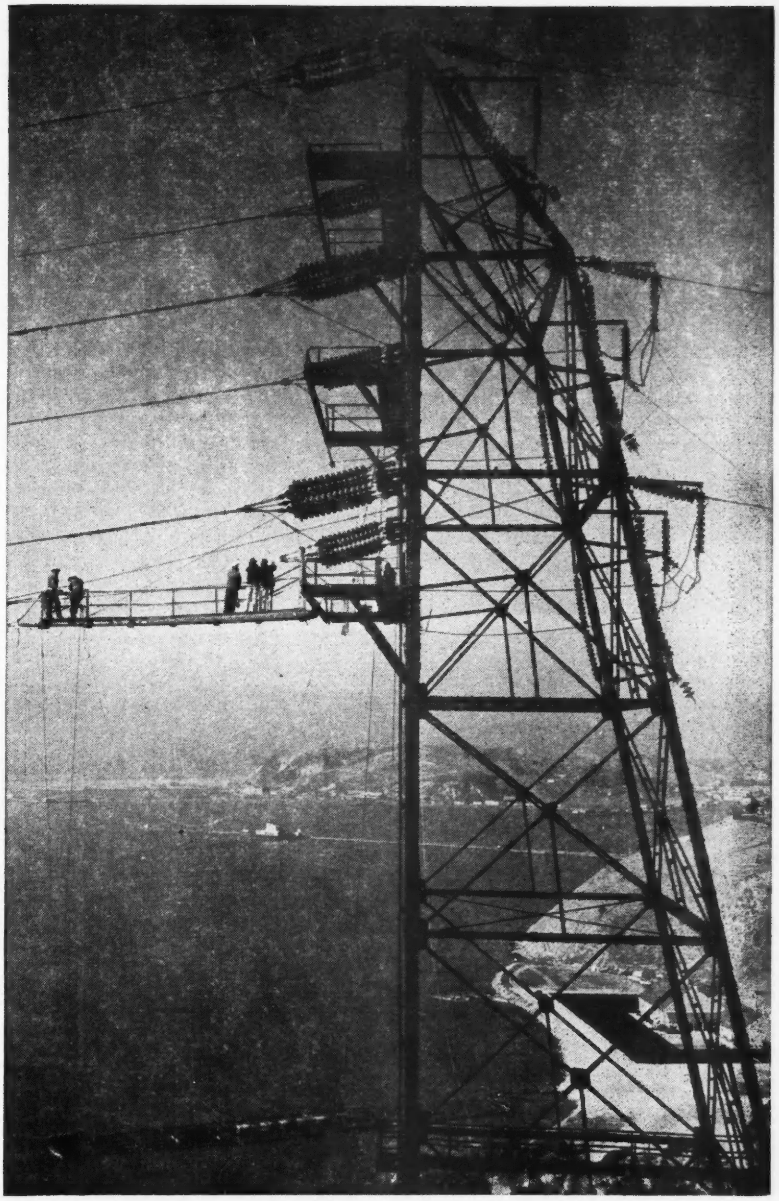
s

so well



READY TO HAND. The bewildering array of dispensing devices used by Americans today is characteristic of our passion for convenience, time-saving and automatic cleanliness. Whether you want cigarettes, a steak dinner, or merely a tissue to polish your eyeglasses, you can usually get it out of a machine. (And the machine is usually made of *steel* . . . for strength and good looks!)

ONE OF THE BEST things about steel is that it won't burn . . . it's fireproof. The more steel you use, the less chance of disastrous fires. But last year, fires, exclusive of forest fires, cost the nation $730,084,000 and the lives of about 11,000 people. So don't gamble with fire . . . the odds are against you!



STEEL AND ELECTRICITY work hand in hand to speed Production for Freedom, as suggested by this picture of a steel transmission tower in the Golden Gate area near San Francisco. Since the war, United States Steel has spent more than a billion dollars in expanding and improving its steel-producing facilities, and is currently engaged in a continuing expansion program which will help to assure America a plentiful supply of vital steel in the future.

MANUFACTURED FROM USS TRADE MARK STEEL UNITED STATES STEEL

This trade-mark is your guide to quality steel

Listen to . . . The Theatre Guild on the Air, presented every Sunday evening by United States Steel. National Broadcasting Company, coast-to-coast network. Consult your newspaper for time and station.

UNITED STATES STEEL

Helping to Build a Better America

MERICAN BRIDGE . . AMERICAN STEEL & WIRE *and* CYCLONE FENCE . . COLUMBIA-GENEVA STEEL . . CONSOLIDATED WESTERN STEEL . . GERRARD STEEL STRAPPING . . NATIONAL TUBE
IL WELL SUPPLY . . TENNESSEE COAL & IRON . . UNITED STATES STEEL PRODUCTS . . UNITED STATES STEEL SUPPLY . . *Divisions of* **UNITED STATES STEEL COMPANY, PITTSBURGH**
GUNNISON HOMES, INC. • UNION SUPPLY COMPANY • UNITED STATES STEEL EXPORT COMPANY • UNIVERSAL ATLAS CEMENT COMPANY

How To Minimize Your Taxes

(*Continued from page* 63)

years. After determining the final tax, assuming that no further taxable transactions will occur in 1952, consider what securities could be sold or exchanged to reduce the tax liability. The offset of gains by losses, or vice versa, is one effective method of tax planning. However, minimizing taxes should not outweigh other factors, such as a desire to retain a particular holding, the general trend of the market or the possibility of losing more than can be saved in taxes.

"Ageing" Your Security Holdings

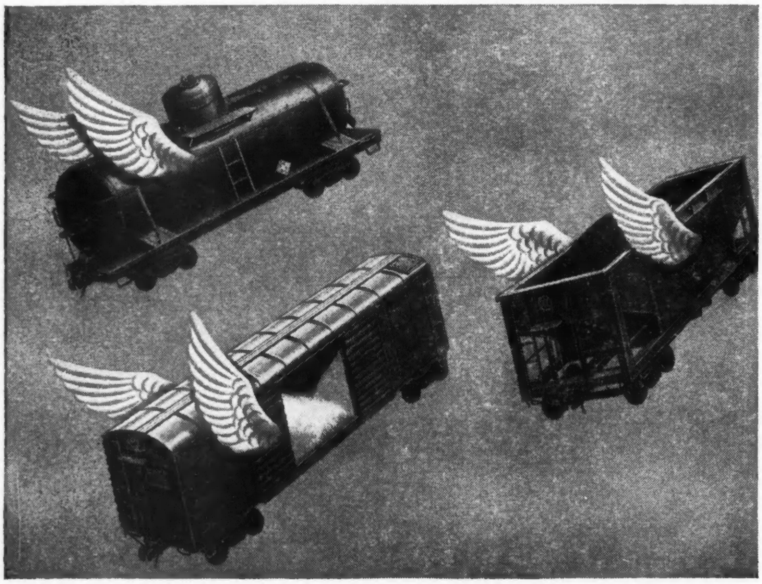
In preparing a schedule of paper gains and losses it may be helpful to "age" security holdings to determine what long-term and short-term securities have appreciated or depreciated in value. If this ageing is combined with identification of certificates when purchased, it will be possible to identify the particular shares to be sold, selecting those certificates which will offer the greatest tax advantage. When an investor owns several blocks of stock in the same company, purchased at different times, unless segregation and identification of shares are maintained, it will be presumed that the first shares purchased will be the first to be sold. Analysis may reveal that shares bought more recently would have a high cost basis so that a greater loss might be reported upon sale. Careful review of holding period and cost basis will minimize taxes whenever a sale or exchange is to be made.

In planning changes in an investment portfolio, an investor should not overlook the use of any carry-over of a capital loss from prior years. Such a carry-over may permit the sale of securities at a gain without any tax cost because the gain is offset by this carry-over loss. There are other possibilities to consider. Present tax rates are to continue until 1954 unless the election changes the complexion of Congress in 1953 so that some reduction is adopted for next year. This contingency as well as the trend of the market in 1953 should be considered as factors in deciding whether sales should be made now or delayed until 1953. However, any tax reduction in 1953 would not be large so that an investor should proceed on the assumption that tax rates will remain approximately the same.

The "30-day" Provision

The sale of a security at a loss and the repurchase of this stock within 30 days before or after the sale would bar the loss as a deduction. However, the unallowable "wash sale" loss may be added to the cost basis of the new purchase. This rule can be overcome in any one of three ways. A comparable, but not identical, security may be purchased within the 30 days period such as a switch from Dixie Cup to Lily-Tulip Cup—different companies in the same industry. After 30 days the same stock can be repurchased. If a rise in the market is expected, purchase additional shares more than 30 days before selling the old investment. By using this procedure, the investor maintains his position as well as secures his loss deduction.

Investment income from inter-



Good by-products

Good-bye waste

The chemical by-products from steel production used to be just so much waste.

Today, at Armco, they are valuable materials which make an important contribution to profits.

Armco—pioneer in special-purpose steels—lets nothing go to waste in its production of these steels. Benzol for plastics and synthetic rubber, toluol and xylol for the paint industry, sulphate of ammonia for fertilizers, pyridine for wonder drugs, slag for roads and insulation, cinders for cinderblocks, and coal tar for a thousand and one uses. These are a few of the by-products of steelmaking that Armco sells.

No longer waste, they are a well-established part of the growing Armco business.

ARMCO STEEL CORPORATION

Middletown, Ohio, with Plants and Sales Offices from Coast to Coast
The Armco International Corporation, World-Wide

ARMCO

est and dividends cannot be controlled as well as sales or exchanges of the income yielding securities. However, an investor can adjust his income by outright gifts of securities to his family or creating trusts for their benefit; the income would thereafter be taxable to the natural objects of his bounty. The principle of spreading income among several taxpayers will protect the investor from the highest tax brackets.

Tax exempt investment income is usually low in yield, but should provide higher income than some higher yielding taxable investments. An investor should take advantage of non-taxable return of capital, payments out of depletion reserve or stock dividends. Certain Government and municipal bonds are tax-exempt. The net effect of 3% tax-free interest may be equivalent to more than 4% taxable interest. Investors in the high tax brackets will find that tax-free income is of even greater value for the higher the tax rate the bigger the tax bite on every additional dollar of income. Furthermore, tax-exempt bonds purchased at a discount upon issuance and held to maturity offer the investor exemption from tax on interest and on gain when the bonds are redeemed at face amount.

There are many deductions available to an investor in the course of maintaining and protecting his investments. Safe deposit box fees, investment services, accounting and legal fees, office expenses and subscriptions to financial periodicals are deductible. In addition to these running expenses, commissions, the loss of dividend or interest by sale before the record date and the difference in value if an investment is sold ex-dividend are factors to consider when action is planned to minimize taxes. In fact other investment factors may be of even greater importance. Nevertheless the high cost of taxes requires that this factor be considered in the over-all investment picture for 1952 and the future.

Which Stocks Have Done Best—Which Poorest?

(*Continued from page* 79)

Cyanamid, and American Smelting & Refining.

(*Please turn to page* 96)

WORLD-WIDE BANKING

Chase

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

STATEMENT OF CONDITION
SEPTEMBER 30, 1952

RESOURCES

Cash and Due from Banks	$1,343,682,825.50
U. S. Government Obligations	1,119,655,726.89
State and Municipal Securities	319,212,070.55
Other Securities	244,576,237.83
Mortgages	60,667,874.81
Loans	2,200,120,839.54
Accrued Interest Receivable	11,600,479.89
Customers' Acceptance Liability	36,941,639.97
Banking Houses	29,496,164.57
Other Assets	9,712,260.49
	$5,375,666,120.04

LIABILITIES

Deposits		$4,897,132,010.21
Foreign Funds Borrowed		17,010,533.00
Dividends Payable November 1, 1952		5,920,000.00
Reserves—Taxes and Expenses		31,454,582.74
Other Liabilities		19,032,037.57
Acceptances Outstanding		40,081,401.73
Less: In Portfolio		2,860,800.49
Capital Funds:		
Capital Stock. (7,400,000 Shares—$15 Par)	$111,000,000.00	
Surplus	189,000,000.00	
Undivided Profits	67,896,355.28	
		367,896,355.28
		$5,375,666,120.04

United States Government and other securities carried at $475,889,990.00 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

Which Stocks Have Done Best — Which Poorest

(*Continued from page* 95)

These comparisons are not intended to convey a note of finality as to the immediate future of any of the companies listed. One or two in the "having done better" classification achieved their places because unfavorable conditions of a temporary nature affected net in the first half of 1951. Similarly, one or two in the "poorer" category had to contend with unfavorable conditions in the first half of this year. Not the least of these were labor disturbances such as those experienced by Hudson Motors in the first half of last year, and the walk-out of steel workers which bore so heavily not only upon the steel companies but manufacturers operating in other fields as a result of the curtailment of steel supplies. Due consideration has been given to these developments in our comments on each company in the list.

Giving weight to all the facts tends to make the table of significant value. It emphasizes the necessity upon the part of investors, when looking at comparisons in earnings, to weigh carefully profit margins, bearing in mind that a company showing a reasonably high profit margin over a period of years can be expected to maintain earnings at a comparative satisfactory rate in the lean days.

The comparisons also point up not only the desirability, but the common-sense dictated necessity of re-examining one's holdings and weeding out those companies which have operated on a low profit margin which, as a rule, is prima facie evidence that management has failed to achieve tight control of overhead. Unless management has already accomplished this, or can find ways and means of cutting costs, a difficult task these days, such companies are apt to meet unsatisfactory conditions when dividends, if not completely eliminated, are almost certain to be cut.

In any case, the table offers a good basis of comparison for investors holding these stocks, as it clearly shows how companies operating in the same industry can have quite substantial variations in their profit results.

Don't Be Confused by the Market's Action

Over

1001 CHARTS

in the September issue of

GRAPHIC STOCKS

will help guide your decisions by giving you the opportunity to judge, at a glance, the significance of stock trends for a period of twelve years to September, 1952.

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- Monthly Volume of Trading
- Annual Earnings
- Annual Dividends
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(See charts on pages 73, 74, 75 of this issue of the Magazine of Wall Street.)

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Economic-Financial Position of the U. S. Today

(*Continued from page* 58)

whether the fact that "public wealth per capita in 1929 dollars rose from $350 in 1928 to $500 in 1948 while private wealth per capita shrank from $3,100 to $2,700" is evidence of progress or the contrary.

Yet we must not forget the potentials of our extraordinary population growth. Eventually increased demand beginning with farm products, then winding its way through tools, machines, houses, furniture, cars and the myriad other hard good needs of our consumer population cannot fail to increase each individual's wealth. Vast though our present production capacity is, it may not be too early to give thought to problems which would arise if excessive demands were to spring up causing supply shortages and renewing inflationary threats.

What can we do about the conditions that face us? Where shall we place our earnings and savings?

7% of the spending units surveyed by the Federal Reserve Board hold corporate stocks. 14% hold real estate other than the properties they themselves occupy. It is estimated that 37,000,000 spending units own liquid assets in the form of government bonds, savings and checking accounts, shares in savings and loan associations and credit unions. 16,000,000 do not. The survey notes a slow decline in the proportion of units holding liquid assets since the end of World War II. The survey also reports a shift away from these liquid assets to investments in stocks, real estate and unincorporated businesses by people in the higher income brackets. It is estimated that 3,000,000 units own farms.

Getting into balance with the shifting weights of personal net worth and disposable income is not a simple matter these days. Yet it may help if we remember the importance of a single factor in our economy: the growth in population over the last decade. In the opinion of one eminent economist this growth will shorten recession or depression periods when, as and if they arise and must inevitably lead to huge public and private investments of all kinds.

Here we stand at the end of a long inflationary spiral. Are we to stand by helplessly as we watch savings shrink in real value or is there something that we can do?

Based on current policies adopted by the largest fiduciary organizations it would seem that that much confidence is now placed in the best class of common stocks. This is dictated by the need for income and, also, as a partial "hedge" against inflation. It would seem, also, that well-situated real estate and farm land is in this category.

As for investments producing fixed income, such as bonds, there is no reason to shrink from the conclusion that further inflation from here on will impair their value. This is a consideration of prime importance to those, the bulk of whose income is derived from such sources. The same conclusion, unfortunately, is true of savings deposits and insurance, but, if inflation can be stopped, this classic form of savings, including bonds, will still retain its great value for the average man. In this connection, it is only fair to point out that the greatest damage to value has been in the case

of bonds acquired some years ago when the value of the dollar was considerably higher than it is at present. Newer purchasers, of course, have been paid with cheaper dollars. Hence, their loss in actual purchasing power has been smaller.

In conclusion, it should be apparent that the American people are faced with a critical problem which is to prevent the dollar from sinking any further. They cannot afford to allow this situation to get out of hand. The least they can do is to exert the greatest pressure on their government to adopt those measures that will insure a decent value for their savings.

A First-Hand View of Mexico Today

(*Continued from page* 69)

It is true that from the Anglo-Saxon point of view, Mexican democracy may be wanting. Mexico is still basically a one-party country and the elections continue to be mere shadow-boxing with the Administration always the winner. But as the argument goes, why should the great masses of farmers and workers to whom the revolution brought land and higher living standards, be tempted to vote differently? The fact is that Mexico is developing its own brand of democracy which while far from adequate from our point of view, is nevertheless impervious to the spread of communism.

For Profit and Income

(*Continued from page* 83)

United at 35. All three qualify as good-grade defensive-type stocks, reasonably priced on current and potential earnings, and on a yield basis.

Vogue

Market vogues have heretofore been a matter of selectivity in terms of stock groups. A different vogue is now evident and no doubt will continue. On hopes that EPT will be allowed to expire next June 30, there is a search for potential big gainers thereby. We cited some selections on this score recently. Potential EPT relief probably accounts for some of the recent buying in stocks like Lily-Tulip Cup, Container Corp., Thompson Products, Reynolds Tobacco, McGraw-Hill, Dow Chemical, American Cyanamid and Goodrich. Many companies paid big per-share EPT last year. The tricky question in selections is whether pre-tax income will hold up after EPT is gone. It is most likely to do so in stable-income situations, where EPT liability is mostly light. Market preference on this matter will center largely on growth stocks, which has been pretty much so all along.

Due to higher rates adopted earlier by many companies, total dividends continue to run moderately above year-ago levels; and the 1952 aggregate may differ little from last year's. Nevertheless, in terms of action on dividends of individual companies, the news has turned for the worse. In both August and September cuts or omissions exceeded favorable changes.

The Trend of Events

(*Continued from page* 52)

from their income taxes. We believe the nation at large would applaud such favored treatment for its senior citizens. We believe also that for the "white collar" classes generally, especially those who work for the states and local sub-divisions, where relief has not yet been forthcoming a rise in wages to offset the higher cost of living would be in order. The federal government has already taken such action in many categories of workers: hence, the situation here is not so urgent.

Market Waits at Crossroads

(*Continued from page* 55)

to hold cash, or equivalent for a time, due to their dampened confidence in the general market potential, as figured from the average highs heretofore made.

A factor of growing importance in the calculation of investors and speculators is the haunting fear that dividends may not be as secure as they look for those lesser companies which managed to fare unusually well during the past two years. It is reasoned that for such companies, earnings in that period were at an unusually high level and, therefore, should not be expected to continue. With profits sliding, some of the weaker of these companies may be compelled to limit the amount of their payments to shareholders. This uncertain outlook accounts for the fact that so many of these issues are selling at considerable discounts under their 1950-1951 highs.

Our position remains middle-road conservative, and selective.
—Friday, October 10.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, AND CIRCULATION REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233)

Of THE MAGAZINE OF WALL STREET and BUSINESS ANALYST published Bi-weekly at New York, N. Y., for October 1, 1952.

1. The names and addresses of the publisher, editor, managing editor, and business managers are:
Publisher—C. G. Wyckoff, 90 Broad Street, New York 4, N. Y.
Editor—C. G. Wyckoff, 90 Broad Street, New York 4, N. Y.
Acting Managing editor—E. D. King, 90 Broad Street, New York 4, N. Y.
Business manager—None

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.)

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5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required from daily, weekly, semiweekly, and triweekly newspapers only.)

(signed) C. G. WYCKOFF
Publisher

Sworn to and subscribed before me this 11th day of September, 1952.

(signed) ABRAHAM SCHWARTZ
Notary Public
State of New York
No. 03-8868125
Qualified in Bronx County
[Seal]
(My Commission Expires March 30, 1954)

Japanese Elections and Moscow's New Line

(*Continued from page* 53)

working age every year. It will not be easy for the Japanese industrialist and exporter to close his ears to the entreaties of Moscow and Peiping to trade with them, particularly if the West keeps on throwing obstacles in the path of Japanese trade as at the recent textile conference in London. A China on the road to industrialization will need unlimited quantities of capital goods, chemicals and structural steel—all products to the production of which Japan is turning, now that worldwide industrialization had cut down her textile exports.

If Japan is to resist the new strategy of the Moscow-Peiping axis—and her elections are an unqualified proof that she wants to throw her lot in with the democratic world—it is essential that the West understand her problems and help her to solve them. And there is a way to do so without putting Japan on a permanent "dollar relief" list. Japan can find an outlet for her goods and her energies in the still undeveloped countries of Asia and Africa. Contrary to Mr. Stalin's recent contention that the Free World will go down (with Russia picking up the pieces) for lack of markets for her goods, there are unlimited possibilities in the development of the resources and the purchasing power of economically backward countries In countering the new twist in communist strategy, the Free World is fighting on its own ground, but the development of economically backward countries will brook no delay. However, this is a subject to which we will unquestionably return again and again in the future.

BOOK REVIEWS

RUSSIA'S SOVIET ECONOMY

By HARRY SCHWARTZ

Here are *facts*, not opinions, on the actual operation of Russia's economic system. At a time when many countries of the world are engaged in a struggle against imperialistic communism, this book presents a completely *objective* and honest evaluation of the strength and effectiveness of the Soviet economy.

Professor Schwartz concentrates on presenting the *facts* about the Soviet economy, facts about its origins, organization, and operations, well documented and based primarily on current research.

What is the outlook for Russia in the next ten, twenty, and thirty years? Schwartz examines these questions on the basis of Russia's human and material resources. He discusses the possibilities of atomic power as a factor in the USSR's economic and military strength.

Prentice-Hall, Inc. $6.65

BALKAN CAESAR TITO vs. STALIN

By LEIGH WHITE

Few Americans know the name Yosip Broz. Yet Yosip Broz may well prove to be a vital factor in the battle for the world. For he is better known as Tito of Yugoslavia—the man who has defied Stalin and gotten away with it.

In an outspoken book, Leigh White, one of the shrewdest and best-informed analysts of Eastern European affairs today, has written the story of Tito and Yugoslavia. He traces the dictator's strange, devious career, from its beginning in 1892 in the Croatian village of Kumrovetz, through the years of forged passports and changing identities, until Marshal Tito emerges. Mr. White's account of the wartime conflict between Tito and Mikhailovitch throws new light on a historical crisis that has been tragically misunderstood. The reasons behind the dramatic break with Stalin are presented with lucid and authoritative detail.

Scribners $2.75

ECONOMY IN THE NATIONAL GOVERNMENT

By PAUL H. DOUGLAS

Taxes today are at record non-total-war levels. Yet the government deficit for 1952-53 may mount to $15 billion.

Our unbalanced budgets are leading us directly into runaway inflation—and such an inflation would be a national calamity.

What can we—the people, the Congress, and the President—do about it? Senator Paul H. Douglas gives us the answer.

Graphically and simply, Senator Douglas maps out exactly how a $71,000,000,000 government budget is made—a budget 150 times the size of government expenditures in 1901 and representing one-fourth of our entire national income.

Where and how can spending be cut down? Partly through Senator Douglas' efforts, $1,000,000,000 has already been saved in the 1951-52 civilian budget. Now he demonstrates, item by item, how further nonmilitary savings of $1,400,000,000 could be effected. More startling, he shows that economies of $4,000,000,000 can be made in military spending *without* diminishing the nation's armed strength. Were all his proposals to be adopted, $7,500,000,000 could be saved in one year.

U. of Chicago Press $3.75

JOURNEY TO THE FAR PACIFIC

By THOMAS E. DEWEY

Mr. Dewey's account is warm, human, and extremely readable, but it is also an important political document, filled with startling facts and figures as well as anecdotes and personal observations. Everywhere he went he saw key people, and, since his mission was unofficial, he saw many others besides. He records conversations with emperors, students, and military commanders, businessmen, laborers, shopkeepers, and farmers. He tells about a turbulent tea party with the Chiangs, and discusses the position of Nationalist China in the strategy of the East. He describes the wonders of fabulous Angkor Vat and the art of Javanese dancing girls. He revises a preconceived opinion about Emperor Bao Dai, and reevaluates Ho Chi Minh, the Red leader of Indo-China.

JOURNEY TO THE FAR PACIFIC is a dramatic, eyewitness report of people and countries—it eliminates the confusion and fits the pieces together.

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CLOSING THE RING

By WINSTON S. CHURCHILL

Perhaps the feature which most distinguishes *Closing the Ring* from the previous volumes is its more intimate picture of Churchill himself—of the new ease and confidence in his relationship with President Roosevelt and a less constrained air in his discussions with Stalin.

We view the man as differentiated from the indispensable leader: his grave illness at Carthage followed by a physical weakness which came as a greater surprise to him than to anyone else, his daughter Sarah reading to him Jane Austen's *Pride and Prejudice* "beautifully from the foot of the bed," Mrs. Churchill's hurried trip by air and President Roosevelt's cable, "Give my love to Clemmie. I feel relieved that she is with you as your superior officer."

We see Mary Churchill almost washed overboard as the *Renown* changes her course in a calculated zig-zag. We attend a Thanksgiving Dinner at the President's villa in Cairo with Sarah Churchill, Elliott Roosevelt, John Boettiger, Harry Hopkins, and his son Robert among the guests, with two enormous turkeys which the host, "propped up high in his chair, carved for all with masterly, indefatigable skill."

Closing the Ring ends with Churchill sitting in his chair in the map room of the Annexe hearing the thrilling news of the fall of Rome. The liberation of France had begun. All the ships were at sea. The Hitler tyranny was doomed.

Houghton Mifflin Co. $6.00

BRITISH PLANNING AND NATIONALIZATION

By BEN W. LEWIS

Although the Labor Party was defeated in the 1951 elections, nationalization of large segments of the British economy will undoubtedly remain. It is time for some appraisal of this program—its purposes, how the respective industries were nationalized and the way they are organized and have operated since then.

Ben W. Lewis, Professor of Economics at Oberlin College, prepared for the Twentieth Century Fund this brief survey of the progress of nationalization up to the time of the change in government. His factual report will shed light on questions now obscured in the fogs of bitter debate. In addition to its informing picture of the situation in Britain, this book has a direct bearing on some current American policies and proposals.

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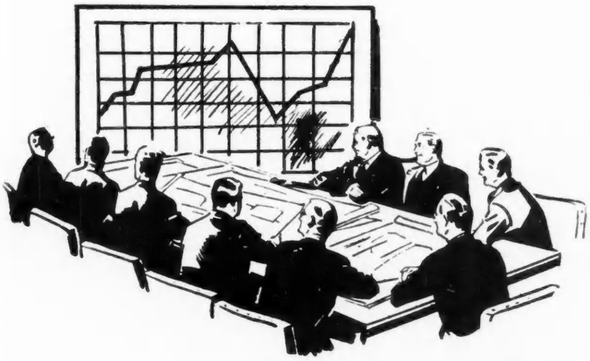

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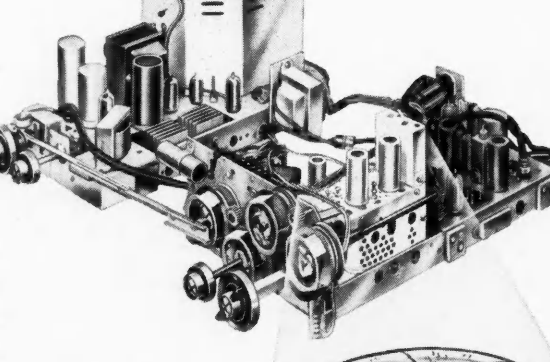

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